TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Tectonic Metals Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

August 23, 2022

TECTONIC
METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at

	Note	June 30, 2022	December 31, 2021
		(unaudited)	
ASSETS			
Current			
Cash	13	$ 1,389,861	$ 1,074,068
Receivables		8,726	16,061
Prepaids		584,496	65,148
		1,983,083	**1,155,277**
Equipment	5	49,097	62,255
Exploration and evaluation assets	6	755,088	690,028
		$ 2,787,268	**$ 1,907,560**
LIABILITIES			
Current			
Trade and other payables		$ 408,983	$ 298,017
Lease liability	9	24,191	27,853
		433,174	**325,870**
Lease liability – long-term	9	-	9,918
		433,174	**335,788**
SHAREHOLDERS' EQUITY			
Share capital	7 and 13	25,237,232	23,676,853
Reserves	7	2,168,336	3,079,699
Subscription receipts		160,000	-
Deficit		(25,211,474)	(25,184,780)
		2,354,094	**1,571,772**
		$ 2,787,268	**$ 1,907,560**

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	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
EXPENSES					
Accounting and legal		$ 79,686	$ 100,470	$ 187,212	$ 139,002
Corporate development and marketing		119,314	31,578	147,723	123,350
Depreciation	5	9,570	9,672	18,785	20,333
Employee benefits and salaries	8	125,417	276,266	241,072	437,988
Exploration	6, 8	277,531	1,073,857	550,670	1,263,079
Finance costs		726	1,396	1,614	3,359
Foreign exchange loss (gain)		8,063	(5,299)	8,206	(6,692)
General and administration		18,067	66,143	33,902	87,803
Insurance		16,577	12,167	31,209	24,014
Listing and filing fees		9,940	8,969	25,105	25,862
Share-based compensation	6, 7, 8	15,507	114,811	21,315	225,222
Travel and meals		17,402	7,774	17,924	8,196
Loss and comprehensive loss for the period		$ (697,800)	$ (1,697,804)	$ (1,284,737)	$ (2,351,516)
Basic and diluted loss per common share		$ (0.00)	$ (0.02)	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding		172,642,083	95,437,218	167,190,197	92,692,445

TECTONIC
METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars) (unaudited)

	SHARE CAPITAL			RESERVES				
	Number	Amount $	Share subscriptions $	Warrants $	Restricted shares $	Stock options $	Deficit $	Total $
At December 31, 2020	**89,917,175**	**17,681,401**	**-**	**1,258,043**	**686,641**	**21,101**	**(15,799,771)**	**3,847,415**
Shares issued on private placement	71,760,560	5,623,484	-	1,552,572	-	-	-	7,176,056
Share issuance cost	-	(348,385)	-	-	-	-	-	(348,385)
Share purchase warrants	-	(192,378)	-	192,378	-	-	-	-
Share-based payment	-	-	-	-	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**
At December 31, 2021	**161,677,735**	**23,676,853**	**-**	**3,002,993**	**-**	**76,706**	**(25,184,780)**	**1,571,772**
Private placement	32,185,666	1,607,480	-	323,660	-	-	-	1,931,140
Share issuance cost	-	(47,101)	-	1,705	-	-	-	(45,396)
Share-based compensation	-	-	-	-	-	21,315	-	21,315
Share subscriptions	-		160,000	-	-	-	-	160,000
Reclassification of fair value of expired warrants	-	-	-	(1,258,043)	-	-	1,258,043	-
Loss for the period	-	-	-	-	-	-	(1,284,737)	(1,284,737)
At June 30, 2022	**193,863,401**	**25,237,232**	**160,000**	**2,070,315**	**-**	**98,021**	**(25,211,474)**	**2,354,094**

Share capital (Note 7)

TECTONIC
METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars) (unaudited)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
OPERATING ACTIVITIES		
Loss for the period	$ (1,284,737)	$ (2,351,516)
Items not involving cash:		
Depreciation	18,785	20,333
Foreign exchange	(1,620)	11,092
Finance cost	889	2,888
Share–based compensation	21,315	225,222
Changes in non-cash working capital items:		
Increase in receivables	7,335	(16,034)
Increase in prepaids	(519,348)	(105,591)
increase in trade and other payables	110,966	720,336
Cash used in operating activities	(1,646,415)	(1,493,270)
INVESTING ACTIVITIES		
Acquisition of equipment	(5,627)	-
Exploration and evaluation assets	(65,060)	(113,803)
Cash used in investing activities	(70,687)	(113,803)
FINANCING ACTIVITIES		
Proceeds from private placement	1,931,140	7,176,056
Share issuance cots	(45,396)	(298,127)
Subscriptions received	160,000	-
Lease payments	(14,469)	(14,798)
Cash provided by financing activities	2,031,275	6,863,131
Effect of foreign exchange on cash	1,620	(11,092)
Change in cash during the period	315,793	5,244,966
Cash—beginning of period	1,074,068	3,423,212
Cash—end of period	$ 1,389,861	$ 8,668,178

Supplemental cash flow information (Note 10)

01 NATURE OF OPERATIONS AND GOING CONCERN

Tectonic Metals Inc. (the "Company" or "Tectonic") was incorporated on April 7, 2017 under the laws of 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 ("US") and Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

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

The continuance of the Company's operations is dependent on obtaining sufficient additional financing to realize the recoverability of the Company's investments in exploration and evaluation assets, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. The Company has incurred ongoing losses and as at June 30, 2022 has limited working capital. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

On November 18, 2019, the Company listed all of the Company's outstanding common shares on the TSX 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, 2021, the Company's common shares began trading on the Frankfurt Stock Exchange under the symbol "T15B".

The outbreak of the coronavirus, also known as COVID-19, continues to impact worldwide economic activity. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Company cannot determine their long-term financial impact at this time. Federal, provincial and local governments have issued public health orders in response to COVID 19, which may cause some delay in the Company's operations.

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, and Interpretations of the International Financial Reporting Interpretations Committee 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 as at December 31, 2021 and for the year then ended.

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, 2021. 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 (or "Board") of the Company on August 23, 2022.

Basis of Presentation

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

Functional and Presentation Currency

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

Basis of Consolidation

These Financial Statements of the Company include the accounts of the Company and its wholly owned US subsidiaries, District Metals LLC and Tectonic Resources LLC, the principal activity of which is exploration in the US. 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 intercompany 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 the 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 judgments 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 *Share-based Payment*, 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.

ASSET RETIREMENT OBLIGATION

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

Judgments

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

Fair Value Hierarchy

Financial instruments measured at fair value are classified into one of three levels in the 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 quoted 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, receivables, and trade and other payables. The fair value of cash is measured on the condensed interim consolidated statement of financial position using Level 1 of the fair value hierarchy. The fair values 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 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 become 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. The Company is exposed to liquidity risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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 six months ended June 30, 2022.

FOREIGN CURRENCY RISK

The Company is exposed to nominal foreign currency risk on fluctuations related to cash and trade and other payables that are denominated in US 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, 2022

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net book value
Exploration equipment	$ 22,686	$ -	$ 22,686	$ (22,154)	$ (114)	$ (22,268)	$ 418
Office and furniture	17,866	-	17,866	(10,425)	(1,594)	(12,019)	5,847
Computer equipment	37,308	5,627	42,935	(17,511)	(4,075)	(21,586)	21,349
Right-of-use asset	85,300		85,300	(50,815)	(13,002)	(63,817)	21,483
Total	**$ 163,160**	**$ 5,627**	**$ 168,787**	**$ (100,905)**	**$ (18,785)**	**$ (119,690)**	**$ 49,097**

(Expressed in Canadian dollars - unaudited)

For the year ended December 31, 2021

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net book value
Exploration equipment	$ 22,686	$ -	$ 22,686	$ (13,009)	$ (9,145)	$ (22,154)	$ 532
Office and furniture	17,866	-	17,866	(7,236)	(3,189)	(10,425)	7,441
Computer equipment	25,786	11,522	37,308	(11,856)	(5,655)	(17,511)	19,797
Right-of-use asset	85,186	114	85,300	(25,035)	(25,780)	(50,815)	34,485
Total	**$ 151,524**	**$ 11,636**	**$ 163,160**	**$ (57,136)**	**$ (43,769)**	**$ (100,905)**	**$ 62,255**

06 EXPLORATION AND EVALUATION ASSETS

Carrying Amount

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

	Flat, USA ($)	Tibbs, USA ($)	Seventymile , USA ($)	Northway, USA ($)	Maple Leaf, USA ($)	Carrie Creek and Mt. Harper, USA ($)	Total ($)
At December 31, 2020	**-**	**249,052**	**118,656**	**135,564**	**15,977**	**14,945**	**534,194**
Cash property payments	88,163	62,875	114,852	-	-	25,508	291,398
Impairment	-	-	-	(135,564)	-	-	(135,564)
At December 31, 2021	88,163	311,927	233,508	-	15,977	40,453	690,028
Cash property payments	-	65,060	-	-	-	-	65,060
At June 30, 2022	**88,163**	**376,987**	**233,508**	**-**	**15,977**	**40,453**	**755,088**

(Expressed in Canadian dollars - unaudited)

Expenditures

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

	Tibbs ($)	Seventymile ($)	Flat ($)	Carrie Creek and Mt. Harper ($)	Northway and Maple Leaf ($)	Project generation and support ($)	For the three months ended June 30, 2022 ($)
Computer software	5,236	2,445	2,445	2,862	-	5,021	18,009
Claim maintenance	64	64	-	129		802	1,059
Drilling program	7,218	84,361	-	-	-	-	91,579
Geological consulting	5,104	9,734	7,256	1,072	12,418	9,516	45,100
Mapping program	2,563	563	3,375	2,597	-	-	9,098
Other camp expenses	91	3	-	-	157	1,379	1,630
Registration fees	-	-	-	-	625	125	750
Salary and legal costs	18,200	-	2,359	4,382	4,277	4,486	33,704
Surveying program	165	958	85	345	48	25	1,626
Scholarship fees	-	31,240	12,496	31,240	-	-	74,976
Total exploration expenditures	**$38,641**	**$129,368**	**$28,016**	**$42,627**	**$17,525**	**$21,354**	**$277,531**

	Tibbs ($)	Seventymile ($)	Flat ($)	Carrie Creek and Mt. Harper ($)	Northway and Maple Leaf ($)	Project generation and support ($)	For the three months ended June 30, 2021 ($)
Drilling program	805,465	-	-	-	-	-	805,465
Geological consulting	61,035	33,399	-	-	-	-	94,434
Mapping program	344	281	-	26,636	-	-	27,261
Other camp expenses	8,958	7,937	-	2,718	649	293	20,555
Registration fees	561	-	-	1,123	-	-	1,684
Salary and legal costs	29,638	5,659	-	2,745	1,450	50,936	90,428
Scholarship fees	-	30,712	-	-	-	-	30,712
Surveying program	-	-	-	3,318	-	-	3,318
Total exploration expenditures	**$ 906,001**	**$ 77,988**	**$ -**	**$ 36,540**	**$ 2,099**	**$ 51,229**	**$ 1,073,857**

(Expressed in Canadian dollars - unaudited)

	Tibbs ($)	Seventymile ($)	Flat ($)	Carrie Creek and Mt. Harper ($)	Northway and Maple Leaf ($)	Project generation and support ($)	For the six months ended June 30, 2022 ($)
Computer software	8,503	3,943	3,943	4,895	-	17,338	38,622
Claim maintenance	64	64	-	129	-	803	1,060
Drilling program	117,141	84,361	-	12,500	-	-	214,002
Geological consulting	15,304	15,734	17,456	20,422	12,418	13,116	94,450
Mapping program	5,493	1,305	4,140	2,597	-	-	13,535
Other camp expenses	120	5	-	-	232	2,906	3,263
Registration fees	-	-	-	-	625	125	750
Salary and legal costs	58,121	-	7,384	13,680	13,981	14,333	107,499
Surveying program	340	1,133	227	529	82	202	2,513
Scholarship fees	-	31,240	12,496	31,240	-	-	74,976
Total exploration expenditures	**205,086**	**137,785**	**45,646**	**85,992**	**27,338**	**48,823**	**550,670**

	Tibbs ($)	Seventymile ($)	Flat ($)	Carrie Creek and Mt. Harper ($)	Northway and Maple Leaf ($)	Project generation and support ($)	For the six months ended June 30, 2021 ($)
Drilling program	805,465	-	-	-	-	-	805,465
Geological consulting	94,082	76,119	-	3,053	4,405	27,085	204,744
Mapping program	2,888	1,281	-	26,686	812	480	32,147
Other camp expenses	13,206	11,547	-	3,702	1,381	1,608	31,444
Registration fees	561	-	-	,122	19,237	1,500	22,420
Salary and legal costs	48,781	15,270	-	4,076	840	61,787	130,754
Sampling program	1,702	372	-	-	-	-	2,074
Scholarship fees	-	30,713	-	-	-	-	30,713
Surveying program	-	-	-	3,318	-	-	3,318
Total exploration expenditures	**966,685**	**135,302**	**-**	**41,957**	**26,675**	**92,460**	**1,263,079**

Property Agreements

SEVENTYMILE

In June 2018, the Company entered into a mining lease agreement with Doyon, Limited ("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 in which the Company has rights to conduct mineral exploration and, if warranted, mineral development and production activities. Doyon is granted a 2% net smelter return 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 anniversaries 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.

(Expressed in Canadian dollars - unaudited)

In consideration, the Company paid Doyon $156,582 (US$120,000) on lease requirements to December 31, 2021 and pursuant to the lease agreement is required to pay:

I. US$60,000 each January 2022 to 2027 (2022 payment made);

II. US$200,000 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 US$300,000; and

III. US$600,000 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 (US$)[1]
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. As of June 30, 2022, the Company incurred US$2,321,642 in cumulative eligible expenditures on the Seventymile Property.*

Additionally, the Company contributes to the Doyon Foundation a US$25,000 scholarship each May for the term of the lease. The scholarship amount increases to US$50,000 each year following the commencement of commercial production. During the six months ended June 30, 2022, the Company fulfilled its current year's commitment.

TIBBS

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

In consideration, the Company paid TCG a total of $301,973 (US$230,000) to December 31, 2021. Pursuant to the option agreement, the Company is required to pay a US$50,000 option payment each June from 2021 to 2027 and is required to incur an aggregate US$1,000,000 in exploration expenditures by June 2022. As of December 31, 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.

(Expressed in Canadian dollars - unaudited)

CARRIE CREEK AND 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 Goodpaster Mining District, Alaska (the "Carrie Creek & 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 anniversaries 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 15 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 $26,137 (US$20,000) on lease requirements to December 31, 2021 and pursuant to the lease agreement is required to pay:

I. US$10,000 each January 2021 to 2024 (2021 and 2022 payments made);

II. US$40,000 each January 2025 to 2029;

III. US$100,000 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 US$200,000; and

IV. US$150,000 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 & Mt. Harper Properties:

Calendar years	Required aggregate exploration expenditures over period (US$)[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 & 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 of the Carrie Creek Property and Mt. Harper Property. As of June 30, 2022, the Company incurred US$1,041,414 in cumulative eligible expenditures on the Carrie Creek Property and Mt. Harper Property.*

Additionally, the Company contributes to the Doyon Foundation an annual US$10,000 scholarship for the term of the lease. The scholarship amount increases to US$50,000 each year following the commencement of commercial production at either the Carrie Creek or Mt. Harper property. During the six months ended June 30, 2022, the Company fulfilled its current year's commitment.

(Expressed in Canadian dollars - unaudited)

FLAT

In September 2021, the Company entered into a mining lease agreement with Doyon for a 100% interest in the Flat Gold Project ("Flat Property") located in the in the Kuskokwim Mineral Belt, Alaska. The initial term of the lease is for 15 years and includes renewal clauses to extend the lease period up to the entire operational period of the mine. Doyon is granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the fifth anniversary of commencement of commercial production. Doyon is granted a 3% NSR for precious minerals and a 2% NSR for base minerals from the fifth to tenth anniversaries of commercial production. After the tenth anniversary of the commencement 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.

In consideration, the Company paid Doyon $37,059 (US$30,000) on lease requirements to December 31, 2021 and is required to make the following payments:

I. US$40,000 each January 2022 to 2025 (2022 payment made);

II. US$50,000 each January 2026 to 2030;

III. US$100,000 each January thereafter. If the Company exercises its option to extend the lease term, this annual payment shall be increased to US$200,000; and

IV. US$150,000 upon completion of a feasibility study.

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

Calendar years	Amount of exploration expenditures (US$)[1]
2021-2023 (including no less than $500,000 by the end of 2022)	1,000,000
2024-2026	2,000,000
2027-2029	2,500,000
Each three–lease-year period commencing 2030	2,500,000

1. *Eligible expenditures include all actual, direct costs, expenses, and charges related to exploration and development conducted on or for the benefit of the Flat 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 June 30, 2022, the Company incurred US$26,090 in cumulative expenditures on the Flat Property.*

The Company has committed to contributing to the Doyon Foundation an annual US$10,000 scholarship for the term of the lease. The scholarship amount increases to US$50,000 each year following the commencement of commercial production at the Flat Property. During the six months ended June 30, 2022, the Company fulfilled its current year's commitment.

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 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

2022 TRANSACTIONS

During the month of May 2022, the Company issued 32,185,666 units at a price of $0.06 per unit for gross proceeds of $1,931,140 as it completed the first tranche of a private placement. Each unit is comprised of one common share and one-half of one warrant. Each full warrant is convertible into one common share at an exercise price of $0.10 and expires two years from the date of issuance. The value attributable to the warrants was $323,660. The company paid finders fees' of $5,648 to brokers and issued 94,140 finders' warrants valued at $1,705.

During the period ended June 30, 2022, the Company received $160,000 in subscriptions related to the second tranche of private placement, which closed on July 8, 2022 (Note 13).

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 is comprised of one common share and one-half of one 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 of $277,958 and issued 2,488,588 broker warrants valued at $192,378. Each finder's warrant is exercisable at a price of $0.17 and expires June 23, 2023.

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, 2022, Doyon owns approximately 17.7% of the common shares of Tectonic on a partially diluted basis.

Share Purchase Warrants

2021 TRANSACTIONS

The value of the warrants issued during the year ended December 31, 2021 was 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)
Non-broker warrants	35,880,280	0.14	0.17	116%	0.42%	2
Finders' warrants	2,488,588	0.14	0.17	116%	0.42%	2

2022 TRANSACTIONS

The value of the warrants issued during the period ended June 30, 2022 was 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)
Investor warrants	16,092,833	0.05	0.10	111%	2.60%	2
Broker warrants	94,140	0.05	0.10	111%	2.60%	2

(Expressed in Canadian dollars - unaudited)

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

	Shares to be issued upon exercise of the warrants	Weighted average exercise price ($)
Balance — December 31, 2020	**39,757,710**	**0.42**
Non-broker warrants issued	35,880,280	0.17
Finders' warrants issued	2,488,588	0.17
Expired	(17,157,330)	0.50
Balance — December 31, 2021	**60,969,248**	**0.24**
Investor warrants issued	16,092,833	0.10
Broker warrants issued	94,140	0.10
Expired	(22,600,380)	0.36
Balance – June 30, 2022	**54,555,841**	**0.15**

Warrants outstanding as at June 30, 2022 are as follows:

Expiry date	Number outstanding	Exercise price per share ($)
June 23, 2023	35,880,280[1]	0.17
June 23, 2023	2,488,588	0.17
May 30, 2024	16,092,833	0.10
May 30, 2024	94,140	0.10
	54,555,841	

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 (the "Restricted Share Plan"), may not exceed 10% of the Company's issued common shares as at the date of grant.

(Expressed in Canadian dollars - unaudited)

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

	Shares to be issued upon exercise of the options	Weighted-average exercise price ($)
Balance — December 31, 2019	**400,000**	**0.33**
Issued	1,050,000	0.18
Cancelled	(400,000)	0.18
Balance — December 31, 2021	**1,050,000**	**0.24**
Issued	300,000	0.10
Balance — June 30, 2022	**1,350,000**	**0.21**

Expiry date	Number outstanding	Exercise price per share ($)
July 27, 2025	400,000	0.33
August 4, 2026	400,000	0.20
March 11, 2027	300,000	0.10
April 30, 2031	250,000	0.16
Outstanding	**1,350,000**	**0.21**
Exercisable	**225,000**	**0.23**

On March 11, 2022, the Company granted 300,000 stock options to a consultant. Each stock option has an exercise price of $0.10 and vests over a three-year period as follows: 100,000 stock options will vest March 11, 2023 and an additional 100,000 stock options will vest on the two subsequent anniversary dates thereafter. The stock options expire March 11, 2027.

The fair values of stock options are estimated using the BSM with the following weighted average assumptions:

	June 30, 2022	December 31, 2021
Risk-free interest rate	2.02%	1.38%
Expected dividend yield	0%	0%
Expected stock price volatility	117%	117%
Expected life in years	5	8.65

During the six months ended June 30, 2022, the Company recorded share-based compensation related to options granted of $21,315 (2021 - $12,342).

Restricted Shares

On July 29, 2019, the Company adopted 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 ("Restricted Shares"). 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.

(Expressed in Canadian dollars - unaudited)

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

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 thereafter, over a period of 36 months. As of June 30, 2022, there were 2,908,400 (December 31, 2021 – 5,781,622) common shares and 641,347 (December 31, 2021 – 1,282,694) warrants held in escrow.

08 RELATED PARTY TRANSACTIONS

	Three months ended June 30, 2022 ($)	Three months ended June 30, 2021 ($)	Six months ended June 30, 2022 ($)	Six months ended June 30, 2021 ($)
Employee salaries – administrative expense	60,000	163,977	120,000	297,727
Employee salaries – exploration expense	-	87,500	31,556	125,000
Geological consulting – exploration expense	43,750	-	79,750	-
Share-based compensation – restricted shares	-	83,344	-	166,688
Share-based compensation	4,385	17,503	7,668	29,084

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

09 LEASE OBLIGATION

As at June 30, 2022, the Company is obligated to pay rent as follows:

Calendar years	Rental payment ($)
2022	15,188
2023	10,126
Total	**25,314**

(Expressed in Canadian dollars - unaudited)

	Lease liability ($)
Balance — December 31, 2020	62,601
Lease payments during the year	(29,985)
Interest expense on lease liability	5,155
Balance — December 31, 2021	**37,771**
Lease payments during the period	(15,188)
Interest expense on lease liability	1,608
Balance — June 30, 2022	**24,191**
Current	24,191
Long-term	-
Total — June 30, 2022	**24,191**

10 SUPPLEMENTAL CASH FLOW INFORMATION

	For the six months ended June 30, 2022 ($)	For the six months ended June 30, 2021 ($)
Finders' warrants issued for financing fees	1,705	192,378
Trade and other payables used for share issue costs	-	50,258
Assets acquired included in accounts payable	-	5,254

11 SEGMENTED INFORMATION

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in Alaska, and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. The Company's operating segments 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 other than as disclosed in Note 7.

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, 2022.

13 SUBSEQUENT EVENTS

On July 8, 2022, the Company closed the second tranche of the non-brokered private placement financing previously announced on April 25, 2022. The Company issued 7,183,339 units at a price of $0.06 per unit for aggregate gross proceeds of $431,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each full warrant is convertible into one common share at an exercise price of $0.10 and expires two years from the date of issuance.

On July 8, 2022, the Company granted 3,050,000 incentive stock options to directors, officers and key consultants of the Company to purchase up to 3,050,000 common shares in the capital of Tectonic. The incentive stock options have a term of five years from the date of grant and an exercise price of $0.10 share.

During the month of August 2022, the Company issued 500,000 incentive stock options to purchase up to 500,000 common shares to a newly appointed director. The incentive stock options have a term of five years from the date of grant and an exercise price of $0.10 share.