TECTONIC
METALS INC.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Tectonic Metals Inc.

Opinion

We have audited the accompanying consolidated financial statements of Tectonic Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that for the year ended December 31, 2022, the Company incurred a net loss and comprehensive loss of $4,006,282. As at December 31, 2022, the Company has a deficit of $29,191,062 and working capital of $2,345,087. As stated in Note 1, these events and conditions indicate that a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* Section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $573,143 as of December 31, 2022. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

February 23, 2023

TECTONIC METALS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	**December 31, 2022**	December 31, 2021
		$	$
ASSETS			
Current			
Cash		**2,552,145**	1,074,068
Amounts receivable		**6,340**	16,061
Prepaid expenses		**205,316**	65,148
		2,763,801	1,155,277
Property and equipment	4	**32,394**	62,255
Exploration and evaluation assets	5	**573,143**	690,028
Total assets		**3,369,338**	1,907,560
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	**408,796**	298,017
Current portion of lease liability	6	**9,918**	27,853
		418,714	325,870
Lease liability	6	**-**	9,918
Total liabilities		**418,714**	335,788
SHAREHOLDERS' EQUITY			
Share capital	7	**27,341,904**	23,676,853
Reserves		**4,799,782**	3,079,699
Deficit		**(29,191,062)**	(25,184,780)
Total shareholders' equity		**2,950,624**	1,571,772
Total liabilities and shareholders' equity		**3,369,338**	1,907,560

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ "Antonio Reda"	*/s/ "Michael Roper"*
Antonio Reda	Michael Roper

The accompanying notes are an integral part of these consolidated financial statements.

TECTONIC METALS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except number of shares)

	Note	Years ended December 31, **2022**	2021
		$	$
Operating expenses			
Accounting and legal fees	8	**399,677**	366,699
Corporate development and marketing		**441,073**	254,607
Depreciation	4	**37,082**	43,769
Employee benefits and salary	8	**495,235**	677,968
Exploration expenses	5,8	**2,134,816**	7,259,793
Finance cost	6	**2,523**	5,626
Foreign exchange (gain) loss		**(3,371)**	49,850
General and administration		**69,648**	147,675
Impairment of exploration and evaluation assets	5	**249,485**	135,564
Insurance		**68,690**	51,729
Listing and filing fees		**42,355**	57,991
Share-based compensation	7,8	**96,762**	305,214
Travel and meals		**37,648**	28,524
Total operating expenses		**4,071,623**	9,385,009
Other income			
Reversal of accounts payable		**65,341**	-
Loss and comprehensive loss		**(4,006,282)**	(9,385,009)
Loss per share:			
Basic and diluted		**(0.02)**	(0.07)
Weighted average number of common shares outstanding:			
Basic and diluted		**188,778,573**	127,468,591

The accompanying notes are an integral part of these consolidated financial statements.

TECTONIC METALS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31, 2022	2021
	$	$
Operating activities:		
Loss for the year	**(4,006,282)**	(9,385,009)
Items not affecting cash:		
Depreciation	**37,082**	43,769
Finance cost	**2,523**	5,155
Foreign exchange loss	**(7,888)**	843
Impairment of exploration and evaluation assets	**249,485**	135,564
Reversal of accounts payable	**(65,341)**	-
Share-based compensation	**96,762**	305,214
Changes in non-cash working capital:		
Amounts receivable	**9,721**	(7,619)
Prepaid expenses	**(123,242)**	27,674
Accounts payable and accrued liabilities	**166,760**	54,975
Cash used in operating activities	**(3,640,420)**	(8,819,434)
Investing activities:		
Purchase of property and equipment	**(7,221)**	(11,636)
Acquisition of exploration and evaluation assets	**(132,600)**	(291,398)
Cash used in investing activities	**(139,821)**	(303,034)
Financing activities:		
Proceeds from private placements	**5,463,040**	7,176,056
Share issuance costs	**(212,493)**	(371,904)
Proceeds from exercise of warrants	**37,825**	-
Lease liability payments	**(30,376)**	(29,985)
Cash provided by financing activities	**5,257,996**	6,774,167
Effect of exchange rate on changes in cash	**322**	(843)
Change in cash	**1,478,077**	(2,349,144)
Cash, beginning of year	**1,074,068**	3,423,212
Cash, end of year	**2,552,145**	1,074,068
Supplemental cash flow information:		
Finders' warrants issued as share issuance costs related to private placements (Note 7)	**57,273**	192,378
Cash income tax paid	**-**	-
Cash interest paid on lease liability (Note 6)	**2,523**	5,155

The accompanying notes are an integral part of these consolidated financial statements.

TECTONIC METALS INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except number of shares)

	Common shares	Share capital	Reserves	Deficit	Total shareholders' equity
	#	$	$	$	$
Balance, December 31, 2020	89,917,175	17,681,401	1,965,785	(15,799,771)	3,847,415
Shares issued in private placements	71,760,560	5,623,484	1,552,572	-	7,176,056
Share issuance costs	-	(564,282)	192,378	-	(371,904)
Shares issued from exercise of RSUs	-	936,250	(936,250)	-	-
Share-based compensation	-	-	305,214	-	305,214
Net loss for the year	-	-	-	(9,385,009)	(9,385,009)
Balance, December 31, 2021	161,677,735	23,676,853	3,079,699	(25,184,780)	1,571,772
Shares issued in private placements	78,130,255	3,883,195	1,579,845	-	5,463,040
Share issuance costs	-	(269,766)	57,273	-	(212,493)
Shares issued from exercise of warrants	222,500	51,622	(13,797)	-	37,825
Share-based compensation	-	-	96,762	-	96,762
Net loss for the year	-	-	-	(4,006,282)	(4,006,282)
Balance, December 31, 2022	**240,030,490**	**27,341,904**	**4,799,782**	**(29,191,062)**	**2,950,624**

The accompanying notes are an integral part of these consolidated financial statements.

1. 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 is listed on the Toronto Venture Exchange ("TSXV") trading under the symbol "TECT", is co-listed on the United States ("US") OTCQB trading under the symbol "TETOF" and is co-listed on the Frankfurt Stock Exchange trading under the symbol "T15B".

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in the 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 in the exploration stage.

These consolidated financial statements ("financial statements") are prepared on a going concern basis, which contemplates that the Company will be able to continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2022, the Company incurred a net loss and comprehensive loss of $4,006,282 (2021 – $9,385,009). As at December 31, 2022, the Company has a deficit of $29,191,062 (2021 - $25,184,780) and working capital of $2,345,087 (2021 - $829,407). There is no certainty that additional financing at terms that are acceptable to the Company will be available, and an inability to obtain financing would have a direct impact on the Company's ability to continue as a going concern. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to finance its operations for the upcoming year with the proceeds from equity financings, and its current working capital.

These financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The coronavirus pandemic continues to have global impacts on workforces, economies, and financial markets. As of the date of these financial statements, COVID-19 has had a minimal impact on the Company's ability to raise funding, and travel restrictions related to COVID-19 did not significantly affect the Company's ability to access and explore its current properties.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on February 23, 2023.

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").

b) Basis of presentation

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

c) Functional and presentational currency

These financial statements are presented in Canadian dollars which is the functional and presentational currency of the Company. References to "USD$" are to United States dollars.

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation

These financial statements include the financial information of the Company and entities controlled by the Company. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company. A summary of the Company's subsidiaries included in these financial statements as at December 31, 2022 is as follows:

	Functional currency	Ownership percentage
District Metals LLC	CAD	100%
Tectonic Resources LLC	CAD	100%

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash is composed of demand deposits held at financial institutions, and cash on hand.

b) Financial Instruments

Financial assets

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

Financial assets are classified as current assets or non-current assets based on their maturity date. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. On derecognition, the difference between the carrying amount measured at the date of derecognition and the consideration received is recognized in profit or loss.

The Company's financial assets consists of cash which is classified as amortized cost.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, unless designated FVTPL. Financial liabilities measured at amortized cost are measured using the effective interest method. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

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

The Company's financial liabilities, which consist of accounts payable and accrued liabilities and lease liability, are classified as amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Property and equipment

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

Costs incurred for right of use assets are capitalized and are subject to depreciation once they are available for use. Once available for use, depreciation will be applied on a straight-line basis, over the term of the lease.

d) Exploration and evaluation assets

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

e) Impairment of assets

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

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

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

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

f) Restoration and Environmental Obligations

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

The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the amount and timing of the Company’s estimates of reclamation costs, are charged to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Leases

Upon lease commencement, the Company recognizes a right-of-use asset, which is initially measured at the amount of the lease liability plus any direct costs incurred, which is then amortized over the life of the lease on a straight-line basis. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease; if the implicit lease rate cannot be determined, the incremental borrowing rate is used. Payments against the lease term are then offset against the lease liability. The lease liability and right-of-use asset are subsequently remeasured to reflect changes to the terms of the lease. Assets and liabilities are recognized for all leases unless the lease term is twelve months or less or the underlying asset has a low value.

h) Income taxes

Current income tax

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

Deferred tax

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

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

i) Share capital

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

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

Valuation of equity units issued in private placements

The Company allocates the proceeds from the issuance of units between common shares and share purchase warrants on a pro-rata basis based on the relative fair values at the date of issuance. The fair value of the common shares is based on the market closing price on the date the units are issued and the fair value of the share purchase warrants is determined using the Black-Scholes option pricing model ("BSM") as of the date of issuance.

Any value attributed to the warrants is recorded to reserves. Upon exercise, the fair value is reallocated from share purchase warrants reserve to issued share capital along with the associated proceeds from exercise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted shares

The Company grants common shares to eligible employees, officers, directors, and consultants with performance conditions (a "Restricted Share"). No cash consideration is received for Restricted Shares. At the date of issuance, no value is recorded in Share Capital. Based on the share price at the date of issuance, the Company records share-based compensation straight-line over the vesting period with an offsetting amount recorded to reserves. Upon completing the performance vesting restriction, the amount in reserves will be transferred to share capital.

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

Stock options

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

j) Basic and diluted loss per share

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

k) Related party transactions

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

l) Segment reporting

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

m) Significant accounting policy judgements and key sources of estimation uncertainty

The preparation of these financial statements requires management to exercise significant judgments in applying the Company's accounting policies and make 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 reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual future outcomes could differ from present estimates and assumptions, which may require material adjustments to the Company's financial statements. Revisions to accounting estimates are accounted for prospectively.

Significant judgments exercised by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of functional currency
The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an 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.

Significant assumptions about the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities in the next year are as follows:

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.

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 BSM to determine the relative fair value of the warrant portion.

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

n) New accounting policies

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards as they are not applicable to the financial statements.

(Expressed in Canadian dollars, except where noted)

4. PROPERTY AND EQUIPMENT

A summary of the Company's property and equipment is as follows:

	Exploration equipment	Office and furniture	Computer equipment	Right-of-use asset	Total
	$	$	$	$	$
Cost					
Balance, December 31, 2020	22,686	17,866	25,786	85,186	151,524
Additions	-	-	11,522	114	11,636
Balance, December 31, 2021	22,686	17,866	37,308	85,300	163,160
Additions	-	-	5,628	1,593	7,221
Balance, December 31, 2022	**22,686**	**17,866**	**42,936**	**86,893**	**170,381**
Accumulated depreciation					
Balance, December 31, 2020	13,009	7,236	11,856	25,035	57,136
Depreciation	9,145	3,189	5,655	25,780	43,769
Balance, December 31, 2021	22,154	10,425	17,511	50,815	100,905
Depreciation	160	2,232	7,205	27,485	37,082
Balance, December 31, 2022	**22,314**	**12,657**	**24,716**	**78,300**	**137,987**
Carrying value					
Balance, December 31, 2021	532	7,441	19,797	34,485	62,255
Balance, December 31, 2022	**372**	**5,209**	**18,220**	**8,593**	**32,394**

5. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets is as follows:

	Tibbs	Seventy-mile	Carrie and Mt. Harper	Flat	Northway and Maple leaf	Total
	$	$	$	$	$	$
Balance, December 31, 2020	249,052	118,656	14,945	-	151,541	534,194
Cash acquisition payments	62,875	114,852	25,508	88,163	-	291,398
Impairment	-	-	-	-	(135,564)	(135,564)
Balance, December 31, 2021	311,927	233,508	40,453	88,163	15,977	690,028
Cash acquisition payments	65,060	-	13,508	54,032	-	132,600
Impairment	-	(233,508)	-	-	(15,977)	(249,485)
Balance, December 31, 2022	**376,987**	**-**	**53,961**	**142,195**	**-**	**573,143**

(Expressed in Canadian dollars, except where noted)

5. EXPLORATION AND EVALUATION ASSETS (continued)

A summary of Company's exploration and evaluation expenditures for the year ended December 31, 2022 is as follows:

Year ended December 31, 2022	Tibbs	Seventy-mile	Carrie and Mt Harper	Flat	Maple leaf	Project generation & support	Total
	$	$	$	$	$	$	$
Computer software	18,903	10,499	6,408	18,492	-	24,780	79,082
Claim maintenance	55,142	64	129	-	-	739	56,074
Drilling program	132,364	838,411	13,938	187,477	-	-	1,172,190
Geological consulting	23,763	24,839	24,068	64,652	17,668	27,766	182,756
Laboratory expenses	-	-	-	22,235	-	5,800	28,035
Mapping program	5,493	1,305	25,714	321,650	-	-	354,162
Other camp expenses	1,809	5,634	27	15,524	232	8,773	31,999
Registration fees	-	-	-	-	625	875	1,500
Salary and legal costs	58,146	13,510	13,680	7,384	13,981	14,332	121,033
Surveying program	15,946	1,373	7,248	2,826	84	5,532	33,009
Scholarship fees	-	31,240	31,240	12,496	-	-	74,976
	311,566	**926,875**	**122,452**	**652,736**	**32,590**	**88,597**	**2,134,816**

A summary of Company's exploration and evaluation expenditures for the year ended December 31, 2021 is as follows:

Year ended December 31, 2021	Tibbs	Seventy-mile	Carrie and Mt Harper	Flat	Northway and Maple leaf	Project generation & support	Total
	$	$	$	$	$	$	$
Claim maintenance	38,761	145	-	-	15,625	-	54,531
Computer software	34,609	18,743	2,285	1,864	2,040	3,522	63,063
Drilling program	4,709,947	1,418	916,408	-	-	11,733	5,639,506
Environmental consulting	8,514	83	16,761	-	33	-	25,391
Exploration desktop work	69,879	12,195	-	-	-	-	82,074
Geological consulting	96,168	65,948	3,052	10,560	4,405	27,083	207,216
Mapping program	34,832	2,100	293,972	3,062	14,733	-	348,699
Other camp expenses	8,095	2,175	2,704	166	249	3,779	17,168
Registration fees	561	-	1,123	-	39,599	-	41,283
Salary and legal costs	112,448	23,470	30,317	20,281	8,810	77,207	272,533
Sampling program	1,243	100	-	-	-	731	2,074
Scholarship fees	-	30,713	-	12,353	-	-	43,066
Surveying program	425,458	4,136	12,196	12,098	653	8,648	463,189
	5,540,515	**161,226**	**1,278,818**	**60,384**	**86,147**	**132,703**	**7,259,793**

a) Tibbs

On June 15, 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 TCG a 2.5% net smelter return ("NSR"), of which 1.5% can be purchased for USD$1,500,000. The initial term of the lease is ten years.

In consideration, the Company paid TCG a total of $376,987 (USD$280,000) up to December 31, 2022. Pursuant to the option agreement, the Company is required to pay a USD$50,000 option payment each June from 2021 to 2027 and was required to incur an aggregate USD$1,000,000 in exploration expenditures by June 2022. During the year ended December 31, 2021, the Company fulfilled this exploration expenditure commitment. On June 15, 2022 the Company paid $65,060 (USD$50,000) for the 2022 option payment, pursuant to the option agreement.

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 has concluded that the disputed claims are not significant to the exploration activity occurring on Tibbs and therefore will not have a significant impact on the Company's exploration efforts on the remaining Tibbs claims.

(Expressed in Canadian dollars, except where noted)

5. EXPLORATION AND EVALUATION ASSETS (continued)

b) 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"). The lease covered 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 was 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 was 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 will be the greater of a 4% NSR or 15% of net proceeds, and the production royalty for base minerals will be the greater of a 3% NSR or 15% of net proceeds. The initial lease term was 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 $233,508 (USD$180,000) for lease requirements from lease inception to December 31, 2022.

On December 16, 2022 the Company decided not to continue with the Seventymile property and terminated the lease agreement, resulting in an impairment of exploration and evaluation assets of $233,508.

c) 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 ("Carrie Creek and Mt. Harper"). 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 was 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 was 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 will be the greater of a 4% NSR or 15% of net proceeds, and the production royalty for base minerals will be 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 $53,961 (USD$40,000) for lease requirements from lease inception to December 31, 2022 and pursuant to the lease agreement is required to pay:

- USD$10,000 each January 2021 to 2024 (2021, 2022 and 2023 payments made)
- USD$40,000 each January 2025 to 2029;
- USD$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 payment will be increased to USD$200,000; and
- USD$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 Carrie Creek and Mt. Harper:

	USD$
2020-2022[1] (commitment fully met)	1,000,000
2023-2026	1,200,000
2027-2030	2,000,000
Each four-year lease period commencing 2031	2,000,000

(1) Eligible expenditures include all actual direct costs incurred related to the exploration and development of Carrie Creek and Mt. Harper, including, without limitation, costs related to services performed outside of 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 Carrie Creek and Mt. Harper. As at December 31, 2022, the Company incurred USD$1,063,746 in cumulative eligible expenditures on Carrie Creek and Mt. Harper.

(Expressed in Canadian dollars, except where noted)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Additionally, the Company contributes to the Doyon Foundation an annual USD$10,000 scholarship for the term of the lease. The scholarship amount increases to USD$50,000 each year following the commencement of commercial production at either the Carrie Creek or Mt. Harper properties. During the year ended December 31, 2022, the Company fulfilled its current year's commitment.

d) Flat

In September 2021, the Company entered into a mining lease agreement with Doyon for a 100% interest in the Flat Gold Project ("Flat") 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 was granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the fifth anniversary of commencement of commercial production. Doyon was 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 will be the greater of a 4% NSR or 15% of net proceeds, and the production royalty for base minerals will be the greater of a 3% NSR or 15% of net proceeds.

In consideration, the Company paid Doyon $142,195 (USD$110,000) for lease requirements from lease inception to December 31, 2022 and is required to pay:

- USD$40,000 each January 2022 to 2025 (2022 and 2023 payments made).
- USD$50,000 each January 2026 to 2030.
- USD$100,000 each January thereafter. If the Company exercises its option to extend the lease term, this payment will be increased to USD$200,000; and
- USD$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 Flat:

	USD$
2021-2023[(1)] (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-year lease period commencing 2030	2,500,000

(1) Eligible expenditures include all actual direct costs incurred related to the exploration and development of Flat, including, without limitation, costs related to services performed outside of 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 at December 31, 2022, the Company incurred USD$561,690 in cumulative expenditures on Flat.

The Company has committed to contributing to the Doyon Foundation an USD$10,000 scholarship for the term of the lease. The scholarship amount increases to USD$50,000 each year following the commencement of commercial production at the Flat Property. During the year ended December 31, 2022, the Company fulfilled its current year's commitment.

e) Northway

In June 2018 and subsequently amended January 1, 2020, the Company entered into a mining lease agreement with Doyon for a 100% interest in an area of the Alaska Native regional corporation mineral estate in the southern Fortymile Mining District, Alaska (the "Northway Property").

During the year ended December 31, 2021, the Company decided not to continue with the Northway Property and terminated the agreement with Doyon on the Northway Property and as a result incurred an impairment charge of $135,564.

f) Maple Leaf

The Company staked certain claims in the state of Alaska located near the Tibbs Property ("Maple Leaf").

During the year ended December 31, 2022, the Company decided not to continue with Maple Leaf resulting in an impairment of exploration and evaluation assets of $15,977.

(Expressed in Canadian dollars, except where noted)

6. LEASE LIABILITY

A summary of the Company's lease liability is as follows:

	$
Balance, December 31, 2020	62,601
Lease payments	(29,985)
Finance cost	5,155
Balance, December 31, 2021	37,771
Lease payments	(30,376)
Finance cost	2,523
Balance, December 31, 2022	**9,918**
Current portion	**9,918**
Non-current portion	**-**

As at December 31, 2022, the Company is obligated to pay an amount of $10,125 undiscounted lease payments over the remaining lease term.

7. SHARE CAPITAL AND RESERVES

a) Authorized

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

b) Issued share capital

As at December 31, 2022, 240,030,490 common shares were issued and outstanding.

c) Share issuances

During the year ended December 31, 2022, the Company had the following share transactions:

On May 30, 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 a one-half share purchase warrant. Each full warrant is exercisable into one common share at an exercise price of $0.10 and expires on May 30, 2024. The gross proceeds attributed to the warrants was $323,660. The Company paid $47,607 of share issuance costs and issued 94,140 finders' warrants with a fair value of $1,706. Each finders' warrant is exercisable at a price of $0.10 and expires May 30, 2024. The warrants are subject to an acceleration clause whereby if the volume-weighted average trading price of the Company's common shares on the TSXV is $0.20 or greater for a period of 20 consecutive trading days, the Company has the right to accelerate the expiry day of the warrants to 30 days from the date of issuance of a news release announcing the accelerated exercise period.

On July 08, 2022, the Company issued 7,183,339 units at a price of $0.06 per unit for gross proceeds of $431,000 following the close of the second tranche of the private placement. Each unit is comprised of one common share and a one-half share purchase warrant. Each full warrant is exercisable into one common share at an exercise price of $0.10 and expires on July 08, 2027. The gross proceeds attributed to the warrants was $79,516. The Company paid $43,576 of share issuance costs and issued 415,000 finders' warrants with a fair value of $9,388. Each finders' warrant is exercisable at a price of $0.10 and expires July 08, 2027. The warrants are subject to an acceleration clause whereby if the volume-weighted average trading price of the Company's common shares on the TSXV is $0.20 or greater for a period of 20 consecutive trading days, the Company has the right to accelerate the expiry day of the warrants to 30 days from the date of issuance of a news release announcing the accelerated exercise period.

On November 17, 2022, the Company issued 38,761,250 units at a price of $0.08 per unit for gross proceeds of $3,100,900 as it completed an additional private placement. Each unit is comprised of one common share and a one share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $0.12 and expires on November 17, 2024. The gross proceeds attributed to the warrants was $1,176,669. The Company paid $121,310 of share issuance costs and issued 604,125 finders' warrants with a fair value of $46,179. Each finders' warrant is exercisable at a price of $0.12 and expires November 17, 2024.

(Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL AND RESERVES (continued)

During the year ended December 31, 2021, the Company had the following share 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 a one-half share purchase warrant. Each full warrant is exercisable into one common share at an exercise price of $0.17 and expires on June 23, 2023. The gross proceeds attributed to the warrants was $1,552,572. The Company paid finders' fees of $371,904 and issued 2,488,588 finders' warrants with a fair value of $192,378. Each finders' warrant is exercisable at a price of $0.17 and expires June 23, 2023. The warrants are subject to an acceleration clause whereby if the volume-weighted average trading price of the Company's common shares on the TSXV is $0.30 or greater for a period of 20 consecutive trading days, the Company has the right to accelerate the expiry day of the warrants to 30 days from the date of issuance of a news release announcing the accelerated exercise period.

d) Share purchase warrants

A summary of Company's warrant activity is as follows:

	Warrants outstanding and exercisable	**Weighted average exercise price**
	#	$
Balance, December 31, 2020	39,757,710	0.42
Warrants issued	35,880,280	0.17
Finders' warrants issued	2,488,588	0.17
Warrants expired	(17,157,330)	0.50
Balance, December 31, 2021	60,969,248	0.24
Warrants issued	58,445,753	0.12
Finders' warrants issued	1,113,265	0.10
Warrants expired	(22,600,380)	0.36
Warrants exercised	(222,500)	0.17
Balance, December 31, 2022	**97,705,386**	**0.14**

A summary of the Company's assumptions used in the BSM for warrants granted during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Weighted average risk-free interest rate	**3.48%**	0.42%
Weighted average expected stock price volatility	**114.54%**	116%
Expected dividend yield	**0.00%**	0.00%
Expected life	**2 years**	2 years

A summary of the Company's warrants outstanding at December 31, 2022, is as follows:

Expiry date	**Warrants outstanding and exercisable**	**Weighted average exercise price**	**Weighted average remaining years**
	#	$	Years
June 23, 2023	38,146,368	0.17	0.48
May 30, 2024	16,186,973	0.10	1.41
July 8, 2024	4,006,670	0.10	1.52
November 17, 2024	39,365,375	0.12	1.88
	97,705,386	**0.14**	**1.24**

(Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL AND RESERVES (continued)

e) Stock options

The Company has a stock option plan (the "Stock Option Plan"), whereby it may grant share options to eligible employees, officers, directors and consultants with an exercise price, expiry date and vesting conditions 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.

A summary of Company's stock option activity is as follows:

	Stock options outstanding	**Weight average exercise price**
	#	$
As at December 31, 2020	400,000	0.33
Granted	1,050,000	0.18
Cancelled	(400,000)	0.18
As at December 31, 2021	1,050,000	0.24
Granted	4,250,000	0.10
Forfeited	(650,000)	0.15
Expired	(100,000)	0.20
As at December 31, 2022	**4,550,000**	**0.12**

A summary of the Company's stock options outstanding and exercisable as at December 31, 2022, is as follows:

Expiry date	**Stock options outstanding**	**Weighted average exercise price**	**Weighted average remaining years**
	#	$	Years
July 27, 2025	400,000	0.33	2.57
March 11, 2027	300,000	0.10	4.19
July 8, 2027	2,700,000	0.10	4.52
August 4, 2027	500,000	0.10	4.59
October 1, 2027	400,000	0.10	4.75
April 30, 2031	250,000	0.16	8.33
Outstanding	**4,550,000**	**0.12**	**4.57**
Exercisable	**325,000**		

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 on March 11, 2027.

On July 8, 2022, the Company granted 3,050,000 stock options to employees, consultants, and directors of the Company. Each stock option has an exercise price of $0.10 and vests over a two-year period as follows: 762,500 stock options will vest January 8, 2023 and an additional 762,500 stock options will vest on the three subsequent six month anniversary dates thereafter. The stock options expire on July 8, 2027. As of December 31, 2022, 350,000 of these options were forfeited.

On August 4, 2022, the Company granted 500,000 stock options to a director. Each stock option has an exercise price of $0.10 and vests over a two-year period as follows: 125,000 stock options will vest February 4, 2023 and an additional 125,000 stock options will vest on the three subsequent six month anniversary dates thereafter. The stock options expire on August 4, 2027.

On October 1, 2022, the Company granted 400,000 stock options to an officer. Each stock option has an exercise price of $0.10 and vests over a four-year period as follows:100,000 stock options will vest October 01, 2023 and an additional 100,000 stock options will vest on the three subsequent anniversary dates thereafter. The stock options expire on October 1, 2027.

(Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL AND RESERVES (continued)

A summary of the Company's assumptions used in the BSM for stock options granted during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Weighted average risk-free interest rate	**3.08%**	1.38%
Weighted average expected stock price volatility	**115.99%**	117%
Expected dividend yield	**0.00%**	0.00%
Expected life	**5 years**	9 years

The total fair value of the options on their respective grant dates to be recognized into reserves is $181,818 (2021 - $72,840). During the year ended December 31, 2022, the Company recorded share-based compensation related to options granted of $96,762, respectively (2021 - $305,214).

f) 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. No cash consideration is received for Restricted Shares. Performance conditions are placed on the Restricted Shares as determined by the Board. If employees fail to meet the conditions, the Restricted Shares are subsequently cancelled and returned to the Company's treasury. The Restricted Share Plan permits the issuance of Restricted Shares, which, together with the Stock Option Plan, may not exceed 10% of the Company' issued common shares as at the date of grant.

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

During the year ended December 31, 2022, the Company incurred share-based compensation related to restricted shares granted of $nil (2021 - $249,609).

g) Escrow

The Company entered into an escrow agreement pursuant to which 19,272,071 common shares and 4,275,642 warrants were placed in escrow. The escrow agreement provides that 10% of the escrowed securities be released upon the Company's listing date and that an additional 15% be released every nine months thereafter, over a period of 36 months. On November 18, 2019, the Company became listed on the TSXV. As at December 31, 2022, there were nil (December 31, 2021 - 5,781,622) common shares and nil (December 31, 2021 - 1,282,694) warrants held in escrow.

8. RELATED PARTY TRANSACTIONS

Key management personnel are those having the authority and responsibility for planning, directing, and controlling the Company. A summary of the Company's related party transactions with its key management personnel for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Accounting and legal fees	**143,953**	-
Employee benefits and salary - administration expense	**240,000**	440,247
Employee benefits and salary - exploration expense	**31,556**	200,000
Exploration expenses - geological consulting	**167,605**	-
Share-based compensation - restricted shares	**-**	241,965
Share-based compensation - stock options	**69,559**	3,812
	652,673	886,024

As at December 31, 2022 the Company had an outstanding accounts payable balance with related parties of $10,763 (December 31, 2021 - $36,836).

(Expressed in Canadian dollars, except where noted)

9. INCOME TAXES

a) Income tax recovery

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	$	$
Loss before income tax	**(4,006,282)**	(9,385,009)
Expected income tax recovery	**(1,115,000)**	(2,534,000)
Non-deductible expenditures	**32,000**	(16,000)
Share issuance costs	**(109,000)**	-
Change in statutory, foreign tax rates and other	**659,000**	(244,000)
Change in unrecognized deferred tax assets	**533,000**	2,794,000
Income tax recovery	**-**	-

b) Deferred taxes

A summary of the Company's significant components of deferred tax assets and liabilities is as follows:

	December 31, 2022	December 31, 2021
	$	$
Deferred tax assets:		
Share issuance costs and financing fees	**194,000**	239,000
Non-capital losses	**1,753,000**	1,399,000
Property and equipment	**6,000**	1,000
Exploration and evaluation assets	**6,205,000**	5,978,000
Right of use asset and lease liability	**1,000**	9,000
	8,159,000	7,626,000
Unrecognized deferred income tax assets	**(8,159,000)**	(7,626,000)
Net deferred income tax assets	**-**	-

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

The Company has non-capital losses of $6,494,000 available to offset against taxable income in future years, which, if unutilized, will expire over 2037 to 2042 and share issuance costs of $719,000 available to offset against taxable income in future years, which if unutilized will expire as part of non-capital losses over 2043 to 2046. The Company also has resource exploration expenditures of $21,912,000 available to offset taxable income in future years with no expiry date. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements due to a lack of probability of their realization.

10. SEGMENTED INFORMATION

The Company operates in one reportable segment, the exploration and evaluation 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. All corporate expenses are incurred in Canada.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2022 and 2021, the Company's financial instruments consist of cash, accounts payable and accrued liabilities and lease liability, all of which are measured at amortized cost.

The carrying value of cash and accounts payable and accrued liabilities and lease liability approximate their fair values due to their short-term to maturity.

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board of Directors approves and monitors the risk management processes:

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash and amounts receivable. The risk exposure is limited because the Company places its instruments in institutions of high credit worthiness within Canada. Amounts receivable are primarily due from a government agency.

b) 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 does not hold any financial instruments with variable interest rates, other than cash and, therefore, is not exposed to significant interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company’s operations do not generate cash, financial liabilities are discharged using funding through the issuance of common stock or debt as required. As at December 31, 2022, the Company had sufficient cash on hand to discharge its financial liabilities as they become due but will require additional funding to continue operations for the upcoming year.

d) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A summary of the Company's financial instruments that are denominated in USD is as follows:

	December 31, 2022	December 31, 2021
	$	$
Cash	**394,367**	197,977
Accounts payable and accrued liabilities	**(157,108)**	(30,789)
Net financial assets	**237,259**	167,188

As at December 31, 2022, a 5% change in the foreign exchange rates would result in an impact of approximately $11,863 (December 31, 2021 - $8,359) to the financial instruments denominated in USD. The Company has no hedging agreements in place with respect to foreign exchange rates.

12. CAPITAL MANAGEMENT

The Company considers capital to include items within shareholders’ equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and evaluation of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or issue debt instruments. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

12. CAPITAL MANAGEMENT (continued)

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 any capital restrictions and the Company's approach to capital management has not changed from the prior year.