



Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Six Months Ended June 30, 2023 and 2022

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Tectonic Metals Inc. for the interim periods ended June 30, 2023 and 2022, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Davidson & Company LLP, have not performed a review of these unaudited condensed interim consolidated financial statements.

August 25, 2023

TECTONIC METALS INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited - Expressed in Canadian dollars, except number of shares)

		Three months ended		Six months ended	
	Note	2023	June 30, 2022	2023	June 30, 2022
		\$	\$	\$	\$
Operating expenses					
Accounting and legal fees	8	61,400	64,566	130,909	156,972
Corporate development and marketing		79,069	119,314	269,365	147,723
Depreciation		3,900	9,570	12,130	18,785
Employee benefits and salary	8	100,129	125,417	335,074	241,072
Exploration and evaluation expenses	5, 8	183,147	277,531	510,660	550,670
Interest expense		20	726	207	1,614
Foreign exchange loss (gain)		1,491	8,063	(3,915)	8,206
General and administration		55,603	33,187	108,456	64,142
Insurance		14,994	16,577	32,303	31,209
Listing and filing fees		8,259	9,940	30,419	25,105
Share-based compensation (recovery)	7(e), 8	(13,612)	15,507	14,015	21,315
Travel and meals		1,899	17,402	59,185	17,924
		496,299	697,800	1,498,808	1,284,737
Other income					
Interest income		9,428	-	12,720	-
Gain on disposal of property and equipment	3	2,835	-	2,835	-
Net loss and comprehensive loss		(484,036)	(697,800)	(1,483,253)	(1,284,737)
Net loss per share:					
Basic and diluted		(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding:					
Basic and diluted		242,376,833	172,642,083	241,210,143	167,190,197

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

TECTONIC METALS INC.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Six months ended	
	2023	June 30, 2022
	\$	\$
Operating activities:		
Net loss for the period	(1,483,253)	(1,284,737)
Items not affecting cash:		
Depreciation	12,130	18,785
Interest expense	207	889
Unrealized foreign exchange gain	(2,225)	(1,620)
Share-based compensation	14,015	21,315
Gain on disposal of property and equipment	(2,835)	-
Changes in non-cash working capital:		
Amounts receivable	(15,437)	7,335
Prepaid expenses and deposits	(10,683)	(519,348)
Accounts payable and accrued liabilities	29,810	110,966
Cash used in operating activities	(1,458,271)	(1,646,415)
Investing activities:		
Purchase of property and equipment	-	(5,627)
Expenditure on exploration and evaluation assets	(68,175)	(65,060)
Cash used in investing activities	(68,175)	(70,687)
Financing activities:		
Proceeds from private placement	3,346,785	1,931,140
Share issuance costs paid in cash	(305,647)	(45,396)
Proceeds from the exercise of warrants	10,200	-
Proceeds from disposal of property and equipment	3,430	-
Subscriptions received	-	160,000
Lease liability payments	(10,125)	(14,469)
Cash provided by financing activities	3,044,643	2,031,275
Effect of foreign exchange rate on changes in cash	(6,827)	1,620
Change in cash	1,511,370	315,793
Cash, beginning of period	2,552,145	1,074,068
Cash, end of period	4,063,515	1,389,861
Supplemental cash flow information:		
Finders' warrants issued	80,773	1,705
Cash interest paid and included in lease liability payments	207	1,614
Cash paid for income taxes	-	-

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

TECTONIC METALS INC.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Unaudited - Expressed in Canadian dollars, except number of shares)

	Common shares	Share capital	Share subscriptions	Reserves	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance, December 31, 2021	161,677,735	23,676,853	-	3,079,699	(25,184,780)	1,571,772
Shares issued in private placements	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
Net loss for the period	-	-	-	-	(1,284,737)	(1,284,737)
Balance, June 30, 2022	193,863,401	25,237,232	160,000	3,426,379	(26,469,517)	2,354,094
Shares issued in private placements	45,944,589	2,275,715	(160,000)	1,256,185	-	3,371,900
Share issuance costs	-	(222,665)	-	55,567	-	(167,098)
Shares issued from exercise of warrants	222,500	51,622	-	(13,796)	-	37,826
Share-based compensation	-	-	-	75,447	-	75,447
Net loss for the period	-	-	-	-	(2,721,545)	(2,721,545)
Balance, December 31, 2022	240,030,490	27,341,904	-	4,799,782	(29,191,062)	2,950,624
Shares issued in private placement	30,425,316	2,624,632	-	722,153	-	3,346,785
Share issuance costs	-	(386,420)	-	80,773	-	(305,647)
Shares issued from exercise of warrants	60,000	12,796	-	(2,596)	-	10,200
Share-based compensation	-	-	-	14,015	-	14,015
Net loss for the period	-	-	-	-	(1,483,253)	(1,483,253)
Balance, June 30, 2023	270,515,806	29,592,912	-	5,614,127	(30,674,315)	4,532,724

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

TECTONIC METALS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

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 1400 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

The Company is listed on the Toronto Venture Exchange ("TSX-V") 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 unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2023 and 2022 (the "financial statements") are prepared on a going concern basis, which contemplates that the Company will be able to continue operations for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. For the three and six months ended June 30, 2023, the Company incurred a net loss and comprehensive loss of \$484,036 and \$1,483,253 (2022 - \$697,800 and \$1,284,737). As at June 30, 2023, the Company has a deficit of \$30,674,315 (December 31, 2022 - \$29,191,062) and working capital of \$3,871,737 (December 31, 2022 - \$2,345,087). 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 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.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on August 25, 2023.

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*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited financial statements for the years ended December 31, 2022 and 2021 (the "Annual Financial Statements")

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 ("CAD") which is the functional and presentational currency of the Company and its subsidiaries. References to "USD" are to United States dollars.

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

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 June 30, 2023 is as follows:

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

e) Reclassification of prior amounts

The Company has reclassified certain comparative information on the condensed interim consolidated statements of loss and comprehensive loss and the condensed interim consolidated statements of changes in shareholders' equity to conform with current period presentation.

f) Significant accounting policies

The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 3 to the Annual Financial Statements.

g) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. The Company's interim results are not necessarily indicative of its results for a full year. The critical judgements and estimates applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 3 to the Annual Financial Statements.

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

3. 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, 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
Disposals	-	(2,268)	-	-	(2,268)
Balance, June 30, 2023	22,686	15,598	42,936	86,893	168,113
Accumulated depreciation					
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
Depreciation	56	748	2,733	8,593	12,130
Disposals	-	(1,673)	-	-	(1,673)
Balance, June 30, 2023	22,370	11,732	27,449	86,893	148,444
Carrying value					
Balance, December 31, 2022	372	5,209	18,220	8,593	32,394
Balance, June 30, 2023	316	3,866	15,487	-	19,669

During the three and six months ended June 30, 2023, the Company recognized a gain on disposal of property and equipment of \$2,835 and \$2,835, respectively (2022 - \$nil and \$nil, respectively), resulting from the disposal of office furniture with a cost of \$2,268 and accumulated depreciation of \$1,673 for gross proceeds of \$3,430.

4. 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	Maple leaf	Total
	\$	\$	\$	\$	\$	\$
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
Cash acquisition payments	68,175	-	-	-	-	68,175
Balance, June 30, 2023	445,162	-	53,961	142,195	-	641,318

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 Tibbs 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 \$455,162 (USD\$330,000) up to December 31, 2021. Pursuant to the option agreement, the Company is required to pay a USD\$50,000 option payment each June from 2021 to 2027 and is required to incur an aggregate USD\$1,000,000 in exploration expenses by June 2022. As of December 31, 2021, the Company has fulfilled this exploration expenditure commitment. On June 1, 2023, the Company paid TCG a total of \$68,175 (USD\$50,000) pursuant to the option agreement.

During the three and six months ended June 30, 2023, no field work was conducted at the Tibbs Property.

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

4. EXPLORATION AND EVALUATION ASSETS (continued)**b) Seventy-mile**

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 “Seventy-mile”). 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 included 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 16, 2022. On December 16, 2022 the Company decided not to continue with the Seventy-mile 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 June 30, 2023 and pursuant to the lease agreement is required to pay:

- USD\$10,000 each January from 2021 to 2024 (2021, 2022 and 2023 payments were made)
- USD\$40,000 each January from 2025 to 2029;
- USD\$100,000 each January from 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.

During the three and six months ended June 30, 2023, no field work was conducted at the Carrie Creek and Mt. Harper.

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

	USD\$
2020 - 2022 (commitment fully met) ⁽¹⁾	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 expenses 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 expenses and apply them against a future year. As at June 30, 2023, the Company incurred USD\$1,073,170 in cumulative eligible expenses on Carrie Creek and Mt. Harper.

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 Mount Harper properties. On April 24, 2023, the Company fulfilled its current year’s commitment.

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

4. EXPLORATION AND EVALUATION ASSETS (continued)**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 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 June 30, 2023 and is required to pay:

- USD\$40,000 each January from 2022 to 2025 (2022 and 2023 payments were made).
- USD\$50,000 each January from 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 expenses on Flat:

	USD\$
2021 - 2023 (including no less than \$500,000 by the end of 2022) ⁽¹⁾	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 expenses 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 expenses and apply them against a future year. As at June 30, 2023, the Company incurred USD\$786,392 in cumulative expenses 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. On April 24, 2023, the Company fulfilled its current year's commitment.

e) 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.

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

5. EXPLORATION AND EVALUATION EXPENSES

A summary of the Company's exploration and evaluation expenses for the three months ended June 30, 2023 is as follows:

	Tibbs	Carrie and Mt Harper	Flat	Project generation and support	Total
	\$	\$	\$	\$	\$
Geological and geophysical consulting	-	-	63,498	-	63,498
Salary and legal costs	-	-	58,943	-	58,943
Conference and conventions	-	-	-	10,436	10,436
Other camp expenses	900	180	414	-	1,494
Administrative expenses	-	-	-	2,308	2,308
Computer software	478	-	13,757	-	14,235
Land management	469	-	11,281	-	11,750
Laboratory expenses	-	-	136	-	136
Scholarship fees	-	6,791	13,556	-	20,347
	1,847	6,971	161,585	12,744	183,147

A summary of the Company's exploration and evaluation expenses for the three months ended June 30, 2022 is as follows:

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

A summary of the Company's exploration and evaluation expenses for the six months ended June 30, 2023 is as follows:

	Tibbs	Carrie and Mt Harper	Flat	Project generation & support	Total
	\$	\$	\$	\$	\$
Geological and geophysical consulting	4,957	4,693	245,391	1,796	256,837
Salary and legal costs	-	-	58,943	2,585	61,528
Conference and conventions	-	-	-	15,079	15,079
Other camp expenses	2,662	767	19,441	-	22,870
Administrative expenses	322	305	11,882	2,308	14,817
Computer software	1,344	784	18,203	1,288	21,619
Land management	9,564	1,426	22,824	-	33,814
Drilling program/planning	-	-	17,375	-	17,375
Surveying program	-	-	8,174	-	8,174
Laboratory expenses	-	-	38,200	-	38,200
Scholarship fees	-	6,791	13,556	-	20,347
	18,849	14,766	453,989	23,056	510,660

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

5. EXPLORATION AND EVALUATION EXPENSES (continued)

A summary of the Company's exploration and evaluation expenses for the six months ended June 30, 2022 is as follows:

	Tibbs	Seventy-mile	Carrie and Mt Harper	Flat	Maple leaf	Project generation & support	Total
	\$	\$	\$	\$	\$	\$	\$
Geological and geophysical consulting	15,304	15,734	20,422	17,456	12,418	13,116	94,450
Salary and legal costs	58,121	-	13,680	7,384	13,981	14,333	107,499
Claim maintenance	64	64	129	-	-	803	1,060
Other camp expenses	120	5	-	-	232	2,906	3,263
Mapping program	5,493	1,305	2,597	4,140	-	-	13,535
Registration fees	-	-	-	-	625	125	750
Computer software	8,503	3,943.00	4,895	3,943	-	17,338	38,622
Drilling program/planning	117,141	84,361	12,500	-	-	-	214,002
Surveying program	340	1,133	529	227	82	202	2,513
Scholarship fees	-	31,240	31,240	12,496	-	-	74,976
	205,086	137,785	85,992	45,646	27,338	48,823	550,670

6. LEASE LIABILITY

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

	\$
Balance, December 31, 2021	37,771
Lease payments	(30,376)
Interest expense	2,523
Balance, December 31, 2022	9,918
Lease payments	(10,125)
Interest expense	207
Balance, June 30, 2023	-

During the three and six months ended June 30, 2023, the Company recorded \$20 and \$207, respectively (2022 - \$726 and \$1,614, respectively) of interest expense on the lease liability.

As at June 30, 2023, the Company's office lease has expired and was not renewed. The Company now uses ad hoc office space as required on terms of one month or less.

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 June 30, 2023, 270,515,806 common shares were issued and outstanding.

c) Share issuances

During the six months ended June 30, 2023, the Company had the below share transactions:

On June 21, 2023 the Company issued 60,000 shares pursuant to the exercise of warrants at an exercise price of \$0.17 for gross proceeds of \$10,200.

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL AND RESERVES (continued)

On June 23, 2023, the Company closed the first tranche of a private placement (the "2023 Private Placement") and issued 30,425,316 units at a price of \$0.11 per unit for gross proceeds of \$3,346,785. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant is exercisable into one common share at an exercise price of \$0.15 and will expire on June 23, 2025. The gross proceeds attributed to the warrants was \$722,153. The Company paid cash share issuance costs of \$305,647 and issued 1,143,296 finders' warrants with an aggregate fair value of \$80,773. Each finders' warrant is exercisable at a price of \$0.11 and will expire on June 23, 2025.

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 will expire on May 30, 2024. The gross proceeds attributed to the warrants was \$323,660. The Company paid \$45,396 of share issuance costs and issued 94,140 finders' warrants with a fair value of \$1,705. 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 TSX-V 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 8, 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 will expire on July 08, 2024. 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 8, 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 TSX-V 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 closed a private placement and issued 38,761,250 units at a price of \$0.08 per unit for gross proceeds of \$3,100,900. 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 \$722,153. \$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 will expire on November 17, 2024.

d) Share purchase warrants

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

	Number of warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2021	60,969,248	0.24
Warrants issued	58,445,753	0.12
Finders' warrants issued	1,113,265	0.1
Expired	(22,600,380)	0.36
Exercised	(222,500)	0.17
Balance, December 31, 2022	97,705,386	0.14
Warrants issued	15,212,658	0.15
Finders' warrants issued	1,143,296	0.11
Expired	(38,086,368)	0.17
Exercised	(60,000)	0.17
Balance, June 30, 2023	75,914,972	0.12

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL AND RESERVES (continued)

A summary of the Company's assumptions used in the Black-Scholes option pricing model for warrants issued during the six months ended June 30, 2023, and the year ended December 31, 2022, is as follows:

	2023	2022
Weighted average exercise price	\$0.15	\$0.11
Weighted average share price	\$0.12	\$0.10
Weighted average risk-free interest rate	4.25%	3.48%
Weighted average expected stock price volatility	116.06%	114.54%
Expected dividend yield	0.00%	0.00%
Expected life	2 years	2 years

A summary of the Company's outstanding warrants as at June 30, 2023, is as follows:

Expiry date	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	Years
May 30, 2024	16,186,973	0.10	0.92
July 8, 2024	4,006,670	0.10	1.02
November 17, 2024	39,365,375	0.12	1.38
June 23, 2025	15,212,658	0.15	1.98
June 23, 2025	1,143,296	0.11	1.98
	75,914,972	0.12	1.39

As at June 30, 2023, the weighted average remaining contractual life of the outstanding warrants was 1.39 years (December 31, 2022 - 1.24 years). During the six months ended June 30, 2023, 38,086,368 warrants with a fair value of \$1,728,557 expired unexercised. During the year ended December 31, 2022, 22,600,380 warrants with a fair value of \$1,258,043 expired unexercised.

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 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:

	Number of stock options	Weight average exercise price
	#	\$
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
Balance, December 31, 2022	4,550,000	0.12
Forfeited	(350,000)	0.23
Balance, June 30, 2023	4,200,000	0.11

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL AND RESERVES (continued)

A summary of the Company's assumptions used in the Black-Scholes option pricing model to calculate the fair value of stock options granted for the six months ended June 30, 2023, and the year ended December 31, 2022, is as follows:

	2023	2022
Weighted average exercise price	N/A	\$0.12
Weighted average share price	N/A	\$0.27
Weighted average risk-free interest rate	N/A	3.08%
Weighted average expected stock price volatility	N/A	115.99%
Expected dividend yield	N/A	0.00%
Expected life	N/A	5 years

During the six months ended June 30, 2023, no stock options were granted. Subsequent to period end, the Company granted 5,425,000 stock options (see Note 12).

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.

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.

During the three and six months ended June 30, 2023 the Company recorded a share-based compensation recovery of \$13,612 and a share-based compensation expense of \$14,015, respectively (2022 - share-based compensation expense of \$15,507 and \$21,315, respectively), due the forfeiture of 350,000 unvested options resulting in a recovery of \$34,854 in the three months ended June 30, 2023.

A summary of the Company's stock options outstanding and exercisable as at June 30, 2023, is as follows:

Expiry date	Number of stock options	Weighted average exercise price	Weighted average remaining years
	#	\$	Years
September 28, 2023	200,000	0.33	0.25
September 28, 2023	50,000	0.10	0.25
March 11, 2027	300,000	0.10	3.70
July 8, 2027	2,500,000	0.10	4.02
August 4, 2027	500,000	0.10	4.10
October 1, 2027	400,000	0.10	4.26
April 30, 2031	250,000	0.16	7.84
Outstanding	4,200,000	0.11	4.03
Exercisable	1,250,000		

TECTONIC METALS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

(Unaudited - Expressed in Canadian dollars, except where noted)

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 during the three and six months ended June 30, 2023 and 2022, is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Accounting and legal fees	37,144	-	78,913	-
Employee benefits and salary	62,500	60,000	268,815	120,000
Exploration and evaluation expenses	35,833	43,750	114,583	111,306
Share-based compensation	19,531	4,385	41,622	7,668
	155,008	108,135	503,933	238,974

As at June 30, 2023, accounts payable and accrued liabilities contains amounts due to related parties of \$32,966 (December 31, 2022 - \$10,763). The amounts have no specified terms of repayment and are due upon demand.

9. 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. All corporate expenses are incurred in Canada.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at June 30, 2023, the Company's financial instruments consist of cash and accounts payable and accrued liabilities, all of which are measured at amortized cost.

The carrying value of cash and accounts payable and accrued liabilities 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 entirely 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 June 30, 2023, the Company had sufficient cash on hand to discharge its financial liabilities as they become due but will require additional funding to continue operations.

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(Unaudited - Expressed in Canadian dollars, except where noted)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**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:

	June 30, 2023	December 31, 2022
Cash	\$ 227,794	\$ 394,367
Accounts payable and accrued liabilities	(147,710)	(157,108)
Net financial assets	80,084	237,259

As at June 30, 2023, a 5% change in the foreign exchange rates would result in an impact of approximately \$4,004 (December 31, 2022 - \$11,863) to the financial instruments denominated in USD. The Company has no hedging agreements in place with respect to foreign exchange rates.

11. 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.

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.

12. SUBSEQUENT EVENTS

On August 10, 2023, the Company closed the second tranche of the 2023 Private Placement and issued 39,300,873 units at a price of \$0.11 per unit for gross proceeds of \$4,323,096. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant is exercisable into one common share at an exercise price of \$0.15 and will expire on August 10, 2025. The Company paid cash share issuance costs of \$139,579 plus associated legal and finance costs and issued 1,261,630 finders' warrants. Each finders' warrant is exercisable at a price of \$0.11 and expires on August 10, 2025.

On August 15, 2023 the Company issued 4,550,000 stock options to certain directors, officers, employees and consultants, each option has an exercise price of \$0.13 and expires on August 15, 2028 with varied vesting conditions.

On August 15, 2023 the Company issued 875,000 stock options to certain consultants, each option has an exercise price of \$0.13 and expires on August 15, 2025 with varied vesting conditions.