



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

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

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

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

May 30, 2022

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at

	Note	March 31, 2022 (unaudited)	December 31, 2021
ASSETS			
Current			
Cash	13	\$ 481,762	\$ 1,074,068
Receivables		18,940	16,061
Prepays		140,606	65,148
		641,308	1,155,277
Equipment	5	53,040	62,255
Exploration and evaluation assets	6	690,028	690,028
		\$ 1,384,376	\$ 1,907,560
LIABILITIES			
Current			
Trade and other payables		\$ 362,668	\$ 298,017
Lease liability	9	28,555	27,853
		391,223	325,870
Lease liability – long term	9	2,510	9,918
		393,733	335,788
SHAREHOLDERS' EQUITY			
Share capital	7 and 13	23,676,853	23,676,853
Reserves	7	3,085,507	3,079,699
Deficit		(25,771,717)	(25,184,780)
		990,643	1,571,772
		\$ 1,384,376	\$ 1,907,560

Subsequent events (note 13)

Nature of operations and going concern (Note 1)

Approved on behalf of the Board:

“Antonio Reda”

Antonio Reda

“Michael Roper”

Michael Roper

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

	Note	For the three months ended March 31, 2022	For the three months ended March 31, 2021
EXPENSES			
Accounting and legal		\$ 107,526	\$ 38,532
Depreciation	5	9,215	10,661
Employee benefits and salaries	8	115,655	128,124
Exploration	6, 8	273,139	189,222
Finance costs		888	1,963
Foreign exchange loss (gain)		143	(1,393)
General and administration		15,835	21,660
Insurance		14,632	11,847
Listing and filing fees		15,165	16,893
Marketing and corporate development		28,409	125,370
Share-based compensation	6, 7, 8	5,808	110,411
Travel and meals		522	422
Loss and comprehensive loss for the period		<u>\$ (586,937)</u>	<u>\$ (653,712)</u>
Basic and diluted loss per common share		\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		161,677,735	89,917,175

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars) (unaudited)

	SHARE CAPITAL		RESERVES			Deficit	Total
	Number	Amount	Warrants	Restricted shares	Stock options		
At December 31, 2020	89,917,175	\$ 17,681,401	\$ 1,258,043	\$ 686,641	\$ 21,101	\$ (15,799,771)	\$ 3,847,415
Share-based payment	-	-	-	98,069	12,342	--	110,411
Loss for the period	-	-	-	-	-	(653,712)	(653,712)
At March 31, 2021	89,917,175	\$ 17,681,401	\$ 1,258,043	\$ 784,710	\$ 33,443	\$ (16,453,483)	\$ 3,304,114
Share issued on private placement	71,760,560	5,623,484	1,552,572	-	-	-	7,176,056
Share issue costs	-	(371,904)	-	-	-	-	(371,904)
Share purchase warrants issued for finders' fees	-	(192,378)	192,378	-	-	-	-
To reallocate RSU value to share capital	-	936,250	-	(936,250)	-	-	-
Share based compensation	-	-	-	151,540	43,263	-	194,803
Loss for the period	-	-	-	-	-	(8,731,297)	(8,731,297)
At December 31, 2021	161,677,735	\$ 23,676,853	\$ 3,002,993	\$ -	\$ 76,706	\$ (25,184,780)	\$ 1,571,772
Share-based compensation	-	-	-	-	5,808	-	5,808
Loss for the period	-	-	-	-	-	(586,937)	(586,937)
At March 31, 2022	161,677,735	\$ 23,676,853	\$ 3,002,993	\$ -	\$ 82,514	\$ (25,771,717)	\$ 990,643

Share Capital (Note 7)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars) (unaudited)

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
OPERATING ACTIVITIES		
Loss for the period	\$ (586,937)	\$ (653,712)
Items not involving cash:		
Depreciation	9,215	10,661
Foreign exchange	1,262	(1,393)
Finance cost	888	1,963
Share-based compensation	5,808	110,411
Changes in non-cash working capital items:		
Increase in receivables	(2,879)	(4,818)
Increase in prepaids	(75,458)	(11,121)
Increase (decrease) increase in trade and other payables	64,651	(36,026)
Cash used in operating activities	<u>(583,450)</u>	<u>(584,035)</u>
INVESTING ACTIVITY		
Exploration and evaluation assets	-	(50,928)
Cash used in investing activities	<u>-</u>	<u>(50,928)</u>
FINANCING ACTIVITY		
Lease payments	(7,594)	(7,405)
Cash used in financing activities	<u>(7,594)</u>	<u>(7,405)</u>
Effect of foreign exchange on cash	(1,262)	(1,821)
Change in cash during the period	(592,306)	(644,189)
Cash—beginning of period	1,074,068	3,423,212
Cash—end of period	<u>\$ 481,762</u>	<u>\$ 2,779,023</u>

Supplemental cash flow information (Note 10)

01 NATURE OF OPERATIONS AND GOING CONCERN

Tectonic Metals Inc. (the “Company” or “Tectonic”) was incorporated on April 7, 2017 under the laws of under the British Columbia *Business Corporations Act*. The Company’s head office is at 312 - 744 West Hastings Street, Vancouver, British Columbia, V6C 1A5.

The Company’s principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in the United States (“US”) and Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

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

The continuance of the Company’s operations is dependent on obtaining sufficient additional financing to realize the recoverability of the Company’s investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. The Company has incurred ongoing losses and as at December 31, 2021 has limited working capital. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

On November 18, 2019, the Company listed all of the Company’s outstanding common shares on the Toronto Venture Stock Exchange (the “TSXV”) under the stock symbol “TECT”. On July 23, 2020, the Company’s common shares began trading on the OTCQB under the symbol “TETOF”. Subsequent to December 31, 2021, the Company’s common shares began trading on the Frankfurt Stock Exchange under the symbol “T15B”.

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

02 BASIS OF PREPARATION

Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, and Interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted. These Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements as at December 31, 2021 and for the year then ended.

The accounting policies applied in the preparation of these Financial Statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2021. The Company’s interim results are not necessarily indicative of its results for a full year.

Approval of the Financial Statements

These Financial Statements were authorized for issue by the Board of Directors (or “Board”) of the Company on May 30, 2022.

Basis of Presentation

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

Functional and Presentation Currency

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

Basis of Consolidation

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

03 KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgments made by management in preparing the Financial Statements are described below:

Estimates

ECONOMIC RECOVERABILITY AND PROBABILITY OF FUTURE ECONOMIC BENEFITS OF EXPLORATION AND EVALUATION ASSETS

Management has determined that exploration, evaluation and related costs incurred, which were capitalized, may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits, including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

VALUATION OF RIGHT-OF-USE ASSET AND LEASE LIABILITY

In determining the valuation of the right-of-use asset and lease liability, the Company is required to make judgments regarding the interest rate used for discounting future cash flows. The present value of the lease liability was determined using the estimated incremental borrowing rate of the Company.

SHARE-BASED COMPENSATION AND ISSUANCE OF UNITS

The Company issued restricted shares and stock options that vest over time. In consideration of IFRS 2 *Share-based Payment*, the Company determines the fair value at issuance and will recognize amounts over the vesting period to equity and share-based compensation based on the share value at the time of issuance. The Company also issued units under private placements and has used the Black-Scholes option pricing model ("BSM") to determine the relative fair value of the warrant portion.

ASSET RETIREMENT OBLIGATION

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

Judgments

DETERMINATION OF FUNCTIONAL CURRENCY

The Company determines the functional currency through an analysis of several indicators of autonomy such as financing activities, expenses and cash flow, retention of operating cash flows and frequency of transactions with the reporting entity.

GOING CONCERN

In assessing its ability to continue as a going concern for the next twelve months, the Company estimates future cash outflows based off prevailing market prices for goods and services, foreign exchange rates and number of days to complete field programs with weather constraints.

04 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Hierarchy

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

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

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

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

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

Financial Risk Factors

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency and price risk.

CREDIT RISK

The Company is exposed to industry credit risks arising from its cash and receivables. The Company manages credit risk by holding cash with major Canadian financial institutions. The Company's receivables are due from the Government of Canada. Management believes that credit risk related to these amounts is nominal.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they become due. To manage liquidity risk, the Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements on an ongoing basis and assess available and required sources of additional capital and financing. The Company is exposed to liquidity risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk, as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the three months ended March 31, 2022.

FOREIGN CURRENCY RISK

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

PRICE RISK

The Company has exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors the price of precious metals.

05 EQUIPMENT

For the three months ended March 31, 2022

	COST			ACCUMULATED DEPRECIATION			Net book value
	Opening	Additions	Ending	Opening	Depreciation	Ending	
Exploration equipment	\$ 22,686	\$ -	\$ 22,686	\$ (22,154)	\$ (57)	\$ (22,211)	\$ 475
Office and furniture	17,866	-	17,866	(10,425)	(797)	(11,222)	6,644
Computer equipment	37,308	-	37,308	(17,511)	(1,803)	(19,314)	17,994
Right-of-use asset	85,300	-	85,300	(50,815)	(6,558)	(57,373)	27,927
Total	\$ 163,160	\$ -	\$ 163,160	\$ (100,905)	\$ (9,215)	\$ (110,120)	\$ 53,040

For the year ended December 31, 2021

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

06 EXPLORATION AND EVALUATION ASSETS

Carrying Amount

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

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

Expenditures

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

	Tibbs	Seventymile	Flat	Carrie Creek / Mt. Harper	Northway and Maple Leaf	Project generation and support	For the three months ended March 31, 2022
Computer software	\$ 3,267	\$ 1,499	\$ 1,499	\$ 2,033	\$ -	\$ 12,316	\$ 20,614
Drilling program	109,924	-	-	12,500	-	-	122,424
Geological consulting	10,200	6,000	10,200	19,350	-	3,600	49,350
Mapping program	2,930	744	764	-	-	-	4,438
Other camp expenses	27	-	-	-	74	1,529	1,630
Salary and legal costs	39,921	-	5,025	9,298	9,704	9,846	73,794
Surveying program	175	175	143	185	34	177	889
Total exploration expenditures	\$166,444	\$8,418	\$17,631	\$43,366	\$9,812	\$27,468	\$273,139

	Tibbs	Seventymile	Flat	Carrie Creek / Mt. Harper	Northway and Maple Leaf	Project generation and support	For the three months ended March 31, 2021
Other camp expenses	\$ 12,795	\$ 4,982	\$ -	\$ -	\$ 3,380	\$ 622	\$ 21,779
Registration fees	-	-	-	-	20,736	-	20,736
Salary and legal costs	19,143	9,611	-	-	2,171	9,402	40,327
Sampling program	1,702	-	-	-	372	-	2,074
Geological consulting	27,046	42,720	-	-	7,457	27,083	104,306
Total exploration expenditures	\$ 60,686	\$ 57,313	\$ -	\$ -	\$ 34,116	\$ 37,107	\$ 189,222

Property Agreements

SEVENTYMILE

In June 2018, the Company entered into a mining lease agreement with Doyon, Limited (“Doyon”) for a 100% interest in the area of the Alaska Native regional corporation mineral estate in the Eagle Mining District, Alaska (the “Seventymile Property”). The lease covers the mineral estate and the surface estate and grants in which the Company has rights to conduct mineral exploration and, if warranted, mineral development and production activities. Doyon is granted a 2% net smelter return royalty (“NSR”) for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 4% NSR for precious minerals and a 3% NSR for base minerals from the fifth to tenth anniversaries of commercial production. After the tenth anniversary of commercial production, the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds. The initial lease term is for fifteen years, and the lease agreement includes renewal clauses to extend the lease period up to the entire operational period of a mine.

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

- I. US\$60,000 each January 2022 to 2027 (2022 payment made);
- II. US\$200,000 each January 2028 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study, this annual payment shall be increased to US\$300,000; and
- III. US\$600,000 upon completion of a feasibility study.

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

Calendar years	Amount of annual exploration expenditures (US\$) ¹
2018 (commitment fully met)	400,000
2019 (commitment fully met)	600,000
2020 – 2023 (commitment fully met) ¹	750,000
2024 – 2027	1,500,000
2028 and each calendar year thereafter	2,000,000

1. Eligible expenditures include all actual, direct costs, expenses and charges related to exploration and development conducted on or for the benefit of the Seventymile Property, including without limitation costs and expenses off the property and reasonably allocated to operations on the property. The Company is permitted to carry-forward excess expenditures and apply them against a future year. As of March 31, 2022, the Company incurred US\$2,221,547 in cumulative eligible expenditures on the Seventymile Property.

Additionally, the Company contributes to the Doyon Foundation, a US\$25,000 scholarship each May for the term of the lease. The scholarship amount increases to US\$50,000 each year following the commencement of commercial production. Subsequent to March 31, 2022, the Company fulfilled its current year's commitment.

TIBBS

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

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

During the year ended December 31, 2019, the Company received a notice from a junior mining company that seven of the claims on Tibbs wholly or partially overstate their claims, and they are asserting the senior claim. Tectonic considers the disputed claims to be non-core, and this notice will not impact Tectonic's exploration efforts going forward on the rest of the Company's Tibbs claims.

CARRIE CREEK & MT. HARPER

In August 2020, the Company entered into a mining lease agreement with Doyon for a 100% interest in the area of the Alaska Native regional corporation mineral estate in the Goodpaster Mining District, Alaska (the “Carrie Creek & Mt. Harper Properties”). The lease covers the mineral estate and the surface estate and grants the Company rights to conduct mineral exploration and, if warranted, mineral development and production activities. Doyon is granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 3% NSR for precious minerals and a 2% NSR for base minerals from the fifth to tenth anniversaries of commercial production. After the tenth anniversary of commercial production, the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds. The initial lease term

is for 15 years, and the lease agreement includes renewal clauses to extend the lease period up to the entire operational period of a mine.

In consideration, the Company paid Doyon \$26,137 (US\$20,000) on lease requirements to December 31, 2021 and pursuant to the lease agreement is required to pay:

- I. US\$10,000 each January 2021 to 2024 (2021 and 2022 payment made);
- II. US\$40,000 each January 2025 to 2029;
- III. US\$100,000 each January 2030 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study, this annual payment shall be increased to US\$200,000; and
- IV. US\$150,000 upon completion of a feasibility study.

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

Calendar years	Required aggregate exploration expenditures over period (US\$) ¹
2020-2022	1,000,000
2023-2026	1,200,000
2027-2030	2,000,000
Each four-lease-year period commencing 2031	2,000,000

1. Eligible expenditures include all actual, direct costs, expenses and charges related to exploration and development conducted on or for the benefit of the Carrie Creek and Mt. Harper Properties, including without limitation costs and expenses off the property and reasonably allocated to operations on the property. The Company is permitted to carry-forward excess expenditures and apply them against a future year. Tectonic is required to spend at least 25% of its required aggregate expenditures for each expenditure period for the benefit of each of the Carrie Creek Property and Mt. Harper Property. As of March 31, 2022, the Company incurred US\$1,008,492 in cumulative eligible expenditures on the Carrie Creek Property and Mt. Harper Property.

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

FLAT

In September 2021, the Company entered into a mining lease agreement with Doyon for a 100% interest in the Flat Gold Project ("Flat Property") located in the in the Kuskokwim Mineral Belt, Alaska. The initial term of the lease is for 15 years and includes renewal clauses to extend the lease period up to the entire operational period of the mine. Doyon is granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the fifth anniversary of commencement of commercial production. Doyon is granted a 3% NSR for precious minerals and a 2% NSR for base minerals from the fifth to tenth anniversaries of commercial production. After the tenth anniversary of the commencement of commercial production, the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds.

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

- I. US\$40,000 each January 2022 to 2025 (2022 payment made);
- II. US\$50,000 each January 2026 to 2030;
- III. US\$100,000 each January thereafter. If the Company exercises its option to extend the lease term, this annual payment shall be increased to US\$200,000; and
- IV. US\$150,000 upon completion of a feasibility study.

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

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

1. Eligible expenditures include all actual, direct costs, expenses, and charges related to exploration and development conducted on or for the benefit of the Flat Property, including without limitation costs and expenses off the property and reasonably allocated to operations on the property. The Company is permitted to carry-forward excess expenditures and apply them against a future year. As of March 31, 2022, the Company incurred US\$26,090 in cumulative expenditures on the Flat Property.

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

MAPLE LEAF

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

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 terminated the agreement with Doyon on the Northway Property, and as a result, incurred an impairment charge of \$135,564.

DATASET ACQUISITION

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

07 SHARE CAPITAL AND RESERVES

Authorized Share Capital

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

Issued Share Capital

2022 TRANSACTIONS

No shares were issued during the three months ended March 31, 2022.

2021 TRANSACTIONS

On June 23, 2021, the Company issued 71,760,560 units at a price of \$0.10 per unit for gross proceeds of \$7,176,056. Each unit is comprised of one common share and one-half of one warrant. Each full warrant is convertible into one common share at an exercise price of \$0.17 and expires June 23, 2023. The value attributable to the warrants was \$1,552,572. The Company paid finders' fees \$277,958 and issued 2,488,588 brokers warrants valued at \$192,378. Each finder's warrant is exercisable at a price of \$0.17 and expires June 23, 2023.

Doyon Private Placement

Doyon has agreed not to exercise any Doyon warrants if, as a result of such exercise, it causes Doyon to hold greater than 19.99% of the total outstanding common shares of Tectonic, unless and until the shareholders of Tectonic have passed a resolution approving such exercise of the Doyon warrants in accordance with the applicable rules and policies of the TSXV.

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

Doyon was granted a pre-emptive right to maintain its pro rata interest for as long as Doyon owns more than 10% of the common shares of Tectonic, calculated on a partially diluted basis. As of March 31, 2022, Doyon owns approximately 16.5% of the common shares of Tectonic on a partially diluted basis.

Share Purchase Warrants

2021 TRANSACTIONS

The value of the warrants issued during the year ended December 31, 2021 was determined using the BSM with the following assumptions:

	Fair value attributed \$	Grant date share price \$	Exercise price \$	Expected volatility	Risk-free interest rate	Expected life (years)
Non-broker warrants	35,880,280	0.14	0.17	116%	0.42%	2
Finder's warrants	2,488,588	0.14	0.17	116%	0.42%	2

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

	Shares to be issued upon exercise of the warrants	Weighted- average exercise price (\$)
Balance — December 31, 2020	39,757,710	0.42
Non-broker warrants issued	35,880,280	0.17
Finder's warrants issued	2,488,588	0.17
Expired	(17,157,330)	0.50
Balance — December 31, 2021 and March 31, 2022	60,969,248	0.24

Warrants outstanding as at March 31, 2022 are as follows:

Expiry date	Number outstanding	Exercise price per share (\$)
April 17, 2022	5,236,500 ²	0.40
June 16, 2022	720,000	0.10
June 16, 2022	3,380,000	0.25
June 30, 2022	12,307,750 ¹	0.40
June 30, 2022	956,130	0.20
June 23, 2023	35,880,280 ¹	0.17
June 23, 2023	2,488,588	0.17
	60,969,248	

1. Warrants are subject to the Acceleration Clause

2. Subsequent to March 31, 2022, these warrants expired unexercised

Stock Options

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

determined by the Company's Board of Directors. The maximum expiry date is ten years from the grant date. The Stock Option Plan permits the issuance of stock options, which, together with the restricted share plan (the "Restricted Share Plan"), may not exceed 10% of the Company's issued common shares as at the date of grant.

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

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

Expiry date	Number outstanding	Exercise price per share (\$)
July 27, 2025	400,000	0.33
August 4, 2026	400,000	0.20
April 30, 2031	250,000	0.16
March 11, 2027	300,000	0.10
Outstanding	1,350,000	0.21
Exercisable	100,000	0.33

On April 30, 2021, the Company granted 250,000 stock options to consultants. Each stock option has an exercise price of \$0.155 and vests over a two-year period as follows: 125,000 stock options will vest April 30, 2022 and 125,000 stock options will vest April 30, 2023. The stock options expire April 30, 2031.

On August 4, 2021, the Company granted 400,000 stock options to an employee. Each stock option has an exercise price of \$0.20 and vests over a four-year period as follows: 100,000 stock options will vest August 4, 2022 and an additional 100,000 stock options will vest on the three subsequent anniversary dates thereafter. The stock options expire August 4, 2026.

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 three-year period as follows: 100,000 stock options will vest March 11, 2023 and an additional 100,000 stock options will vest on the two subsequent anniversary dates thereafter. The stock options expire March 11, 2027.

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

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

During the three months ended March 31, 2022, the Company recorded share-based compensation related to options granted of \$5,807 (2021 - \$12,342).

Restricted Shares

On July 29, 2019, the Company adopted the Restricted Share Plan. The Company may grant common shares to eligible employees, officers, directors and consultants with performance conditions to be determined by the Company' Board of Directors ("Restricted Shares"). No cash consideration is received for Restricted Shares. Performance conditions are placed on the Restricted Shares as determined by the Board. If employees fail to meet the conditions, the Restricted Shares are subsequently cancelled and returned to the Company's treasury. The Restricted Share Plan permits the issuance of restricted shares, which, together with the Stock Option Plan, may not exceed 10% of the Company' issued common shares as at the date of grant.

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

Escrow

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

Base Shelf Prospectus

During the year ended December 31, 2020, the Company filed a short form base shelf prospectus (the "Prospectus"). The Prospectus allows for the Company to offer up to \$100 million of common shares, warrants, subscription receipts, debt securities, share purchase contracts and units from time to time until June 29, 2022.

08 RELATED PARTY TRANSACTIONS

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

	Three months ended March 31, 2022 (\$)	Three months ended March 31, 2021 (\$)
Employee salaries – administrative expense	60,000	97,500
Employee salaries – exploration expense	31,556	37,500
Geological consulting – exploration expense	36,000	-
Share-based compensation – restricted shares	-	83,344
Share-based compensation	3,283	11,465

09 LEASE OBLIGATION

As at March 31, 2022, the Company is obligated to pay rent as follows:

Calendar years	Rental payment (\$)
2022	22,782
2023	10,126
Total	32,908

	Lease liability (\$)
Balance – December 31, 2020	62,601
Lease payments during the year	(29,985)
Interest expense on lease liability	5,155
Balance – December 31, 2021	37,771
Lease payments during the period	(7,594)
Interest expense on lease liability	888
Balance – March 31, 2022	31,065
Current	28,555
Long-term	2,510
Total – March 31, 2022	31,065

10 SUPPLEMENTAL CASH FLOW INFORMATION

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Cash paid for interest	\$ 889	\$ 1,516

11 SEGMENTED INFORMATION

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in Alaska and its corporate assets, comprising mainly cash, are located in Canada. The Corporation is in the exploration stage and has no reportable segment revenues or operating results. The Company's operating segments are disclosed by geographic location in Note 6. All corporate expenses are incurred in Canada.

12 CAPITAL MANAGEMENT

The Company manages its capital structure based on the funds available to the Company in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such, the Company has historically relied on the equity markets to fund its activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions other than as disclosed in Note 7.

There has been no significant change in the Company's objectives, policies and processes for managing its capital during the three months ended March 31, 2022.

13 SUBSEQUENT EVENTS

During the month of May 2022, the Company issued 32,185,666 units at a price of \$0.06 per unit for gross proceeds of \$1,931,140. Each unit is comprised of one common share and one-half of one warrant. Each full warrant is convertible into one common share at an exercise price of \$0.10 and expires two years from the date of issuance.