



Windfall Geotek Inc

(formerly known as Albert Mining Inc)

Unaudited Condensed Consolidated Interim Financial Statements

Second quarter ended August 31, 2020

(Canadian dollars, unless otherwise stated)



Management's Responsibility for Unaudited Condensed Consolidated Interim Financial Statements

The accompanying consolidated financial statements of Windfall Geotek Inc. (formerly known as Albert Mining Inc.) (the "Company") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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

The unaudited condensed interim consolidated financial statements of the Company as at August 31, 2020 and for the three-month periods ended August 31, 2020 and 2019, have not been reviewed by the Company's external auditors.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Michel Fontaine
Chief Executive Officer

(signed)
Daniel Bélisle
Chief Financial Officer

October 15th, 2020



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Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

Consolidated Interim Statements of Financial Position

As at August 31, 2020

Unaudited

(in Canadian dollars)

	August 31 2020 \$	February 29 2020 \$
Assets		
Current assets		
Cash	346,456	104,677
Amounts receivable (note 7)	173,287	142,477
Prepaid expenses	9,744	-
Marketable securities (note 8)	830,973	393,534
Subscription paid (note 8)	100,000	100,000
Total current assets	<u>1,460,460</u>	<u>740,688</u>
Non-current assets		
Office equipment (note 9)	20,860	23,524
Intangible asset – CARDS (note 10)	225,000	300,000
Exploration and evaluation assets (notes 6 and 11)	1	1
Total non-current assets	<u>245,861</u>	<u>323,525</u>
TOTAL ASSETS	<u>1,706,321</u>	<u>1,064,213</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	144,208	119,304
Deferred revenue (note 13)	116,600	77,963
Total liabilities	<u>260,808</u>	<u>197,267</u>
Equity		
Share capital (note 15)	38,199,628	37,903,803
Contributed surplus (note 16)	6,533,271	6,288,445
Warrants (note 15)	445,012	406,272
Deficit	(43,732,398)	(43,731,574)
Total equity	<u>1,445,513</u>	<u>866,946</u>
TOTAL LIABILITIES AND EQUITY	<u>1,706,321</u>	<u>1,064,213</u>
Going concern (note 2)		
Events after the reporting period (note 25)		

Approved by the Board of Directors

"Michel Fontaine"

Director

"Dinesh Kandanchaatha"

Director

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

Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

Consolidated Interim Statements of Operations

For the three months ended August 31, 2020 and 2019

Unaudited

(in Canadian dollars, except for the number of shares)

	Three-month period ended August 31, 2020 \$	Three-month period ended August 31, 2019 \$	Six-month period ended August 31, 2020 \$	Six-month period ended August 31, 2019 \$
Revenue				
Services	165,119	100,000	285,613	175,000
Operating expenses				
Amortization (note 8-9)	(38,832)	(37,944)	(77,664)	(75,444)
Commissions- CARDS (notes 6 and 19)	(32,708)	(15,000)	(36,956)	(29,106)
Exploration and evaluation expenditures (note 11)	(37,909)	(30,225)	(68,160)	(41,035)
General and administrative (note 18)	(146,837)	(145,746)	(296,269)	(356,425)
Stock-based compensation (note 16)	(240,688)	-	(244,826)	(105,082)
	(496,974)	(228,915)	(723,875)	(607,092)
Operating loss	(331,855)	(128,915)	(438,262)	(432,092)
Gain on disposal of option on mining assets	60,000	-	60,000	-
Unrealized gain (loss) on marketable securities (note 8)	288,955	-	377,438	(30,000)
Net gain (loss) and comprehensive gain (loss) for the period	17,100	(128,915)	(824)	(462,092)
Weighted average number of outstanding common shares				
Basic and diluted (note 17)	88,279,751	78,054,561	83,896,141	77,105,735
Loss per share				
Basic and diluted (note 17)	(0.00)	(0.00)	(0.00)	(0.01)

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

Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

Consolidated Interim Statements of Changes in Equity For the three months ended August 31, 2020 and 2019 Unaudited

(in Canadian dollars, except for the number of shares)

	Number Common Shares	Share Capital (Note 15)	Subscriptions Received	Contributed Surplus (Note 16)	Warrants (Note 15)	Deficit	Total Equity
Balance March 1, 2019	63,392,061	36,807,470	165,000	6,009,203	477,671	(42,860,393)	598,951
Issued in private placements	12,062,500	665,000	(165,000)	-	-	-	500,000
Warrants issued in private placement	-	(301,165)	-	-	301,165	-	-
Share issue costs	-	(16,155)	-	-	-	-	(16,155)
Warrants exercised	1,800,000	296,265	-	-	(62,265)	-	234,000
Options exercised	800,000	86,864	-	(36,864)	-	-	50,000
Warrants expired	-	-	-	183,626	(183,626)	-	-
Share-based compensation	-	-	-	105,082	-	-	105,082
Net loss and comprehensive loss for the period	-	-	-	-	-	(462,092)	(462,092)
Balance August 31, 2019	78,054,561	37,538,279	-	6,261,047	532,945	(43,322,485)	1,009,786
Balance March 1, 2020	82,418,881	37,903,803	-	6,288,445	406,272	(43,731,574)	866,946
Issued in private placements	6,740,000	337,000	-	-	-	-	337,000
Warrants issued in private placement	-	(38,740)	-	-	38,740	-	-
Share issue costs	-	(2,435)	-	-	-	-	(2,435)
Share-based compensation	-	-	-	244,826	-	-	244,826
Net loss and comprehensive loss for the period	-	-	-	-	-	(824)	(824)
Balance August 31, 2020	89,158,881	38,199,628	-	6,533,271	445,012	(43,732,398)	1,445,513

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

Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

Consolidated Interim Statements of Cash Flows

For the three months periods ended August 31, 2020 and 2019

(in Canadian dollars)

	Three-month period ended August 31, 2020 \$	Three-month period ended August 31, 2019 \$	Six-month period ended August 31, 2020 \$	Six-month period ended August 31, 2019 \$
Cash flows provided (used in)				
Operating activities				
Net loss for the period	17,100	(128,915)	(824)	(462,092)
Adjustments for				
Depreciation and amortization	38,832	37,944	77,664	75,444
Unrealized loss (gain) on marketable securities	(288,955)	-	(377,438)	30,000
Reversal of allowance for doubtful accounts	(28,000)	-	(28,000)	-
Share-based compensation expense	240,688	-	244,826	105,082
	(20,335)	(90,971)	(83,772)	(251,566)
<u>Changes in working capital items:</u>				
Amounts receivable	47,956	(104,965)	(2,809)	(99,865)
Prepaid	4,872	2,930	(9,744)	5,754
Accounts payable and accrued liabilities	(75,524)	(22,574)	24,902	(21,998)
Deferred revenue	59,131	-	38,637	-
Net cash provided (used) in operating activities	16,100	(215,580)	(32,786)	(367,675)
Investing activities				
Purchase of marketable securities	(60,000)	(100,000)	(60,000)	(200,000)
Purchase of office equipment	-	(25,215)	-	(25,215)
Net cash used in investing activities	(60,000)	(125,215)	(60,000)	(225,215)
Financing activities				
Subscription received	(242,500)	-	-	-
Issuance of share capital net of issue costs (note 15)	334,565	-	334,565	767,845
Net cash provided by financing activities	92,065	-	334,565	767,845
Foreign exchange on cash				
Net increase (decrease) – cash and cash equivalent	48,165	(340,795)	241,779	174,955
Cash and cash equivalents – Beginning of period	298,291	690,756	104,677	175,006
Cash and cash equivalents – End of period	346,456	349,961	346,456	349,961

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

Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

Notes to condensed consolidated financial statements

For the three months periods ended August 31, 2020 and 2019

Unaudited

(in Canadian dollars, except per share amounts)

1 Incorporation and nature of activities

Windfall Geotek Inc. (formerly known as Albert Mining Inc.) (“Windfall” or the “Company”) was incorporated under the Canada Business Corporations Act (Alberta) on February 23, 1996. The nature of operations involves the acquisition, exploration and development of mineral resource properties. Windfall Geotek Inc. and its subsidiaries (hereinafter the “Company”) are in the exploration stage and do not derive any revenue from the development of their properties. The Company also offers CARDS artificial intelligence and data mining services (notes 4 g) and 6). The Company’s common shares are listed on the TSX Venture Exchange (“TSX.V”) (the “Exchange”) under the symbol WIN. The Company’s office is located at 7005 Taschereau Boulevard Suite 265, Brossard, Quebec, Canada, J4Z 1A7.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, indigenous claims, and noncompliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

2 Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable.

For the current period ended August 31, 2020, the Company has incurred a gain of \$17,100 (August 31, 2019, a loss of \$128,915) and has an accumulated deficit of \$43,732,398 as at August 31, 2020. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and evaluation programs and pay general and administration costs. As at August 31, 2020, the Company had a positive working capital of \$1,199,652 (\$543,421 as at February 29, 2020).

The Company must secure additional funding to be able to discharge its liabilities and to fund its ongoing working capital requirements. Management is evaluating various alternatives to secure the necessary financing so that the Company can continue as a going concern. The carrying amount of assets, liabilities and expenses presented in the consolidated financial statements and the classification used in the consolidated statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

These consolidated financial statements were approved and authorized for issue by the board of directors on October 15, 2020.

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(formerly known as Albert Mining Inc.)

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For the three months periods ended August 31, 2020 and 2019

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(in Canadian dollars, except per share amounts)

3 Statement of compliance

These consolidated financial statements, including comparative amounts, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended February 29, 2020. The accounting policies applied in these consolidated financial statements are presented in note 4 and have been applied consistently to all years unless otherwise noted.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, options and warrants which are measured at fair value, as explained in notes 8, 15 and 16 and are presented in Canadian dollars unless otherwise indicated.

b) *Basis of consolidation*

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Windfall is the group's ultimate parent company. The parent controls a subsidiary if it is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between companies.

The following companies have been consolidated within these consolidated financial statements:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
Tropic Diamonds Inc.	Ontario, Canada	100%	Holding company
Ampanihy Resources S.A.R.L	Madagascar	100%	Holding company
SIMACT Alliance Copper Gold Inc.	Montreal, Canada	100%	Exploration company

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For the three months periods ended August 31, 2020 and 2019

Unaudited

(in Canadian dollars, except per share amounts)

4 Summary of significant accounting policies (continued)

c) *Foreign currency and foreign currency translation*

These consolidated financial statements are presented in Canadian dollars. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates (the “functional currency”). Windfall’s functional currency is the Canadian dollar. The functional currency of all of the subsidiaries is the Canadian dollar. The functional currencies have remained unchanged during 2020 and 2019.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date; non monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates of exchange prevailing at the date the fair value was determined; and, non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Such exchange differences arising from retranslation at period end are recognized in net loss.

d) *Jointly controlled exploration operations*

Joint arrangements are arrangements where the Company has joint control through a contractually agreed sharing of control arrangement. Joint control exists when decisions about the relevant activities require the unanimous consent of parties sharing control. Arrangements are classified and recognized as follows:

- Joint operations – when the Company has rights to assets, and obligations for the liabilities, relating to the joint arrangement and recognizes its share of the assets, liabilities, revenue, expenses, and its share of any joint transactions arising from the joint operations; and
- Joint venture – when the Company has the rights to the net assets of the joint arrangement relating to the joint arrangement and recognizes its interest using the equity method like for investments in associates.

e) *Financial instruments*

Adoption of IFRS 9

On March 1, 2018, the Company adopted IFRS 9, *Financial Instruments* (“IFRS 9”) in accordance with the transitional provisions of the standard. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. The change did not impact the carrying value of any of the Company’s financial assets on the transition date.

The impact on the statement of financial position from the changes related to IFRS 9 has been summarized below.

Windfall Geotek Inc.

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Notes to condensed consolidated financial statements

For the three months periods ended August 31, 2020 and 2019

Unaudited

(in Canadian dollars, except per share amounts)

4 Summary of significant accounting policies (continued)

e) Financial instruments (continued)

Adoption of IFRS 9 (continued)

Management has assessed the classification and measurement of the Company's financial assets and financial liabilities under IFRS 9 as follows:

Financial Assets	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost
Amounts receivable (*)	Loans and receivables	Amortized cost
Marketable securities	n/a	Fair value through profit or loss
Subscription paid	n/a	Amortized cost
Financial Liabilities		
Accounts payables and accrued liabilities	Amortized cost	Amortized cost

(*) excluding G/QST

The classification of financial assets is based on how the entity manages its financial instruments and contractual cash flow characteristics of the financial asset. Transactions costs with respect to financial instruments classified as fair value through profit or loss are recognized in the consolidated statements of operations.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These are classified in current assets, except for the portion expected to be realized or paid beyond twelve months of the consolidated statements of financial position date, if any, which are classified as non-current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value.

Impairment of financial assets and contract assets

The Company recognizes loss allowances for expected credit losses ("ECL") on:

- financial assets measured at amortized cost; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances on amounts receivable at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

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4 Summary of significant accounting policies (continued)

- the financial asset is more than 90 days past due.

e) *Financial instruments (continued)*

Adoption of IFRS 9 (continued)

Impairment of financial assets and contract assets (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

f) *Impairment of non-financial assets and intangible assets with a finite useful life*

The Company assesses office equipment and intangible assets – CARDS for impairment when facts and circumstances suggest that the carrying amount of these assets is impaired. An impairment review is undertaken when indicators of impairment arise.

Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (Cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

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Notes to condensed consolidated financial statements

For the three months periods ended August 31, 2020 and 2019

Unaudited

(in Canadian dollars, except per share amounts)

4 Summary of significant accounting policies (continued)

g) Revenue recognition

Effective March 1, 2018, the Company adopted and applied the provisions of IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which clarifies revenue recognition principles, establishes a five-step model for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. The adoption of this standard did not change the Company's revenue recognition accounting policies.

g) Revenue recognition (continued)

The Company specializes in data mining, profiling, prediction and targeting and provides statistical and information consulting services and relevant analysis and reports to its customers. The Company's performance obligation relates to the creation and delivery of a report and map of layer (the "report") to the customer.

The Company transfers control of the report over time and, therefore, satisfies the performance obligation and recognizes revenue over time as the contract is being completed. Control is achieved during the report preparation process, when the Company has a present right to payment for services performed to date and significant risks and rewards of ownership have been transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the report.

The Company generally receives payment in two lump sum fee amounts:

- A non-refundable amount (typically 75% to 80%) payable upon execution of the Services Agreement (the "SA"); and
- The balance upon delivery of the report to the customer.

If the Company has received payment for revenues where the performance obligation has not been satisfied, the amount received is recognized as deferred revenue in the consolidated statements of financial position until the performance obligation is satisfied.

A contract asset is the Company's right to consideration when the right is conditioned on something other than the passage of time.

h) Office equipment

Office equipment is comprised of computer equipment and is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, applicable borrowing costs, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they are incurred.

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Notes to condensed consolidated financial statements

For the three months periods ended August 31, 2020 and 2019

Unaudited

(in Canadian dollars, except per share amounts)

4 Summary of significant accounting policies (continued)

Depreciation is recognized based on the cost of an item equipment, less its estimated residual value, over its expected useful life.

Depreciation:

<u>Category</u>	<u>Years</u>	<u>Method</u>
Computer equipment	5	Straight line

i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of operations in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of operations when the asset is derecognized.

Amortization:

<u>Category</u>	<u>Years</u>	<u>Method</u>
CARDS Software	5	Straight line

j) Exploration and evaluation assets and exploration and evaluation expenditures

All of the Company's projects are currently in the exploration and evaluation phase.

All exploration and evaluation expenditures are expensed in the consolidated statement of operations.

Windfall Geotek Inc.

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Notes to condensed consolidated financial statements

For the three months periods ended August 31, 2020 and 2019

Unaudited

(in Canadian dollars, except per share amounts)

4 Summary of significant accounting policies (continued)

k) Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions or contingent liabilities as at February 29, 2020 and February 28, 2019.

The Company's exploration and evaluation operations are governed by government environmental protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with the current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is a constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

The CARDS services warranty with respect to the quality of the report limits the Company's liability to the specific performance of a second time good faith and best efforts reprocessing of the customer's data using CARDS. The Company can either correct defects without any additional charge or effect an equitable reduction of the price paid or payable for the services and report, provided that the customer gives written notice of the defect within 30 days from the date that it becomes aware of the defect.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

l) Equity-settled share-based payment transactions

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement. Occasionally, the Company issues warrants to brokers.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless fair value cannot be reasonably estimated reliably. Where employees are rewarded using share-based payments, the fair value of the services rendered by the employees or a consultant providing similar services as employees is determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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4 Summary of significant accounting policies (continued)

No adjustment is made to any expense recognized in the prior period if the number of share options ultimately exercised is different from that estimated on vesting. Share-based payments incorporate an expected forfeiture rate.

All equity-settled share-based payments under equity-settled share-based payment plans, except warrants to brokers, are ultimately recognized as an expense in profit or loss with a corresponding credit to the contributed surplus reserve, in equity. At the same time, upon exercise of a share option, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in the contributed surplus reserve are then transferred to share capital. Warrants issued to brokers are recognized as an issuance cost of equity instruments with a corresponding credit to the warrants reserve, in equity.

m) Equity

Share capital represents the amount received upon the share issuance, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded in the contributed surplus and warrants reserves.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued according to their fair value using the proportional method.

Other elements of equity

Reserves include the contributed surplus reserve and the warrants reserve.

Contributed surplus includes charges related to stock options. When stock options are exercised, the related compensation costs are transferred to share capital.

Warrants include the fair value on the issuance of warrants. When warrants are exercised, the related amount is transferred to share capital. Any revaluation of warrants based on the extension of warrants life, modification of exercise price, etc., issued in prior years are recorded directly in deficit. Deficit includes all current and prior period profits or losses.

n) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax assets and/or liabilities are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

However, since the Company currently has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

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4 Summary of significant accounting policies (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

n) Income tax (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets and liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

o) Earnings per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

p) Segmented reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors.

The Company has determined that it operates in two segments, being acquisition, exploration and development of mineral properties for economically recoverable reserves in Canada and generating revenue from providing services using the CARDS.

q) New accounting standards adopted effective March 1, 2019

Effective March 1, 2019, the Company adopted IFRS 16, Leases, where virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments

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are disclosed as a commitment in the notes to the financial statements. As a result, the Company is required to recognize leased assets (“right-of-use” assets) and the related lease liability on the consolidated statement of financial position. The application of IFRS 16 had no impact on the Company’s financial position and results of operations.

r) *Standards, amendments and interpretations not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the February 29, 2020 reporting period. Updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company is currently assessing the impact of these new standards, if any, on its consolidated financial statements.

- IFRS 3 (Amendment) – Business Combinations (effective January 1, 2020); and
- IAS 1 (Amendment) – Presentation of Financial Statements (effective January 1, 2022).

5 Critical accounting estimates and judgments

Significant estimates, judgements and assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from estimates, judgements and assumptions made, relate to, but are not limited to, the following:

Estimates

- The assessment of the ultimate collectability of accounts receivable and the determination of expected credit losses;
- Useful lives of equipment – the determination that there are no indicators suggesting that the useful lives require revision;
- Useful life of intangible asset – CARDS – the determination that there are no indicators suggesting that the useful life and/or method of calculating amortization require revision;
- The assessment of the timing of revenue recognition and the determination of deferred revenue; and
- The estimation of share-based compensation requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company’s own share price, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Judgements

- The determination that no material restoration, rehabilitation and environmental obligations and liabilities existed based on the facts and circumstances; and
- The assessment of the Company's ability to execute its strategy by funding future working capital. Further information regarding going concern is outlined in note 2.

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6 Asset purchase agreement

On March 13, 2017, the Company signed an Asset Purchase Agreement (the “Agreement”) with Diagnos Inc. (“Diagnos”) for the purchase of the assets from Diagnos’ mining division, including the Computer Aided Resources Detection System (the “CARDS”), for total value of \$800,000.

Under the terms of the Agreement, the Company issued 8,000,000 common shares to Diagnos, at a price of \$0.10 per share, in payment for the acquisition of the assets, consisting of Diagnos’ mining claims, mineral property royalty agreements and the CARDS.

Per the Agreement, the allocation of the purchase price was as follows:

CARDS	\$750,000
Mining claims (note 11)	26,000
Royalty agreements	24,000
	<u>\$800,000</u>

The Company will remit to Diagnos (i) 50% of any payment that the Company receives from the royalty agreements forming part of the acquired assets; and (ii) 5% of revenues generated by the commercialization of the CARDS in the mining sector activity (note 19).

Subsequent to the Agreement date, the Company wrote down the royalty agreements to \$1, and incurred a loss on the write down in the amount of \$23,999.

7 Amounts receivable

	August 31 2020 \$	February 29 2020 \$
Trade receivables	126,640	154,821
Option payment receivable (note 19)	20,000	20,000
GST/QST receivable (payable)	5,647	(344)
Work in progress	50,000	25,000
	<u>202,287</u>	<u>199,477</u>
Allowance for doubtful accounts (note 19)	(29,000)	(57,000)
Net	<u>173,287</u>	<u>142,477</u>

8 Marketable securities / Subscription paid

Marketable securities

Marketable securities consist of equity securities of customers purchased by the Company and received as option payments by the Company and which it does not have control or significant influence over.

The Company’s SAs (note 4 g)) typically include a “Warranties and Covenants” clause whereby the customer warrants to the Company that the Company will participate in the next private placement of

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8 Marketable securities / Subscription paid (continued)

the customer with a minimum subscription amount equal to the price paid by the customer pursuant to the SA.

	August 31 2020 \$	February 29 2020 \$
Marketable securities – fair value	830,973	393,534
Marketable securities – cost	(638,762)	(578,762)
	192,211	(185,228)

As at August 31, 2020, the Company held the following marketable securities:

Company	Shares Held \$	Cost \$	Fair Value \$	Fair Value Increase (Decrease) \$
BWR Exploration Inc. (1)	1,500,000	75,000	75,000	-
Flow Metals Corp. (2)	600,000	60,000	63,000	3,000
Pacton Gold Inc. (3)	1,458,333	175,000	176,458	1,458
Playfair Mining Ltd.	2,000,000	100,000	240,000	140,000
Puma Exploration Inc. (4)	700,000	105,000	119,000	14,000
Quebec Precious Metals Corporation	562,553	123,762	157,515	33,753
		638,762	830,973	192,211

(1) 750,000 share purchase warrants exercisable at \$0.075 per share for two years and \$0.10 per share for the final year were also received.

(2) Received pursuant to the Option Agreement (note 11). On June 22, 2020, the company's shares were listed for trading on the Canadian Securities Exchange.

(3) 1,458,333 share purchase warrants exercisable at \$0.18 per share for two years were also received.

(4) 7,000,000 common shares were purchased and a 10 for 1 share consolidation reduced the number of shares held to 700,000.

(5) The Company received 200,000 options from BTU Metals Corp., exercisable at \$0.30 for 18 months from a Cards agreement signed on July 5th, 2020.

Subscription paid

On August 30, 2019, the Company subscribed for 2,000,000 units of customer Chilean Metals Inc. at \$0.05 per unit for a total of cost of \$100,000. Each unit is comprised of one common share of the company and one common share purchase warrant. Each warrant is exercisable at \$0.05 per common share for two years. As at August 31, 2020, the private placement had not closed and the units had not been issued.

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9 Office equipment

	August 31 2020 \$	February 29 2020 \$
Cost:		
Balance – Beginning of period	26,632	1,417
Additions during the period	-	25,215
Balance – End of period period	26,632	26,632
Accumulated depreciation:		
Balance – Beginning of period	(3,108)	-
Additions during the period	(2,664)	(3,108)
Balance – End of period	(5,772)	(3,108)
Net book value:		
Balance – Beginning of period	23,524	1,417
Increase (decrease) during the period	(2,664)	22,107
Balance – End of period	20,860	23,524

10 Intangible asset – CARDS

	August 31 2020 \$	February 29 2020 \$
Cost:		
Balance – Beginning and end of period	750,000	750,000
Accumulated depreciation:		
Balance – Beginning of period	(450,000)	(300,000)
Additions during the period	(75,000)	(150,000)
Balance – End of period	(525,000)	(450,000)
Net book value:		
Balance – Beginning of period	300,000	450,000
Increase (decrease) during the period	(75,000)	(150,000)
Balance – End of period	225,000	300,000

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11 Exploration and evaluation assets

Ashuanipi

On January 10, 2018, the Company acquired 283 claims comprising the Ashuanipi Gold Property.

During the year ended February 28, 2019, the Company acquired an additional 6 claims, bringing the total number of claims comprising this property to 289.

During the year ended February 29, 2020, the Company incurred \$119,975 (year ended February 28, 2019 - \$201,051) of exploration and evaluation expenditures on assessing the potential of this property.

On March 20, 2018, the Company entered into a purchase agreement to acquire 9 mining claims at the Lac Guillaume property, Quebec. Pursuant to the terms of the agreement, the Company issued 150,000 common shares, valued at \$11,250, to acquire the claims. The vendor retained a 1% NSR on the property. The Company can reduce the NSR to 0.5% at any time by paying to the vendor the amount of \$500,000.

On October 2, 2019, the Company renewed 115 claims for this property at a cost of \$13,646. This amount was recorded in the consolidated statement of operations.

On February 21, 2020, the Company entered into the Properties Option Agreement Ashuanipi Project (the "Option Agreement") with private company Flow Metals Corp. ("FM"), pursuant to which FM was granted a sole and exclusive option to acquire a 100% undivided interest in the Company's rights, title and interest in and to the 115 claims comprising the Ashuanipi Gold Property. In order for FM to acquire an undivided 100% interest in the properties it must:

- Issue 100,000 common shares (received) to the Company within 10 days of the date of the Option Agreement;
- Issue an additional 500,000 common shares to the Company on the date that it becomes a public company;
- Sign a \$60,000 contract, payable in cash, to use CARDS on another project of the company within 45 days of becoming a public company;
- Pay \$30,000 in cash within 13 months of becoming a public company.
- Issue 500,000 common shares to the Company by February 19, 2021.
- Pay \$40,000 in cash and issue 500,000 common shares to the Company by February 19, 2022
- Pay \$50,000 in cash and issue 500,000 common shares to the Company by February 19, 2023; and
- Spend \$450,000 on exploration within the first three years of the Option Agreement.

FM granted the Company a 2% net smelter return royalty (the "NSR") in respect of each property upon which the purchase option is exercised. FM has the option to acquire 1% of the NSR upon payment of \$750,000 at any time within five years of the Economic Discovery (not defined).

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11 Exploration and evaluation assets (continued)

FM has the right to terminate the Option Agreement at any time without further obligation to the Company and any payments made will be retained by the Company. The Option Agreement will terminate immediately if FM fails to comply with the first two conditions noted above.

Chapais

The Chapais property consists of 36 claims totaling 1,560 ha.

On December 5, 2017, the Company signed an option agreement with Everton Resources Inc. ("Everton") pursuant to which Everton had the option to acquire up to a 75% undivided interest in 7 of the claims making up this property. During the year ended February 28, 2019, Everton did not complete the expenditure requirements and the option agreement was cancelled.

During the years ended February 29, 2020 and February 28, 2019, the Company did not incur any exploration and evaluation expenditures on this property.

Wachigabau Lake

The Wachigabau Lake property includes 33 claims totaling 1,842 ha.

During the year ended February 29, 2020, the Company incurred exploration and evaluation expenditures of \$Nil (year ended February 28, 2019 - \$99,569) on this property. During the year period ended February 29, 2020 and 2019, the Company paid \$2,115 to renew these claims.

Lasarre

The Laparre property consists of 4 claims totaling 168 ha. During the years ended February 29, 2020 and February 28, 2019, the company did not incur any exploration and evaluation expenditures on this property.

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12 Accounts payable and accrued liabilities

	August 31 2020 \$	February 29 2020 \$
Accounts payable (note 19)	40,103	16,802
Accrued liabilities (note 19)	104,950	102,502
Credit margin from Gvt of Canada – no interest	40,000	-
	<u>144,208</u>	<u>119,304</u>

13 Deferred revenue

	August 31 2020 \$	February 29 2020 \$
Balance – Beginning of period	77,963	-
Payments for revenue prior to performance obligation	116,600	77,963
Recognized as revenue	(77,963)	-
Balance – End of period	<u>116,600</u>	<u>77,963</u>

14 Flow-through share premium liability

The Company periodically issues flow-through shares to fund Canadian exploration programs with any resulting flow-through premium recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is recorded as income. Based on Canadian tax law, the Company is required to spend the amounts raised on eligible exploration expenditures by the end of the year subsequent to the date the expenditures were renounced.

As at February 28, 2019, the \$330,000 of flow-through funds raised in fiscal 2018 had been spent.

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15 Share capital and warrants

a) Share issuance

Fiscal 2021

- (i) On June 12, 2020, the Company completed a non-brokered private placement by issuing 6,740,000 units of the Company for gross proceeds of \$337,000. Each unit consisted of (i) one common share at a price of \$0.05 per common share and (ii) one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share in the capital of the Company at a price of \$0.07 per common share for a period of 24 months expiring June 12, 2022.

In connection with the private placement, the Company paid total cash issuance costs of \$2,435.

The 6,740,000 warrants issued in connection with this private placement have been recorded at a value of \$38,740 based on the proportional method using the Black Scholes pricing model, using the following assumptions: share price of \$0.08, an average exercise price of \$0.07, risk free interest rate of 0.28%, expected life of warrants of 2 years, annualized volatility rate of 145.5% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

Fiscal 2020

- (ii) On March 11, 2019, the Company completed a non-brokered private placement by issuing 10,000,000 units of the Company for gross proceeds of \$500,000. Each unit consisted of (i) one common share at a price of \$0.05 per common share and (ii) one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share in the capital of the Company at a price of \$0.05 per common share for a period of 24 months expiring March 11, 2021.

In connection with the private placement, the Company paid total cash issuance costs of \$12,150.

The 10,000,000 warrants issued in connection with this private placement have been recorded at a value of \$220,138 based on the proportional method using the Black Scholes pricing model, using the following assumptions: share price of \$0.105, an average exercise price of \$0.05, risk free interest rate of 1.66%, expected life of warrants of 2 years, annualized volatility rate of 138.5% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

- (iii) On April 11, 2019, the Company completed a non-brokered private placement by issuing 2,062,500 units of the Company for gross proceeds of \$165,000. Each unit consisted of (i) one common share at a price of \$0.08 per common share and (ii) one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share in the capital of the Company at a price of \$0.095 per common share for a period of 60 months expiring April 11, 2024.

In connection with the private placement, the Company paid total cash issuance costs of \$4,005.

The 2,062,500 warrants issued in connection with this private placement have been recorded at a value of \$81,027 based on the proportional method using the Black Scholes pricing model, using the following assumptions: share price of \$0.125, an average exercise price of \$0.095, risk free interest rate of 1.59%, expected life of warrants of 5 years, annualized volatility rate of 181.89% (based on the Company's historical volatility for 5 years up to the issuance date) and dividend rate of 0%.

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15 Share capital and warrants (continued)

Fiscal 2019

- (iv) On March 20, 2018, the Company issued 150,000 common shares pursuant to the Lac Guillaume purchase agreement (note 11). These shares had a fair value of \$11,250.

b) Warrants exercised

Fiscal 2020

- (i) On March 1, 2019, 600,000 warrants were exercised at \$0.07 for gross proceeds of \$42,000. An amount of \$12,945 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.
- (ii) On March 5-11, 2019, 1,200,000 warrants were exercised at \$0.16 for gross proceeds of \$192,000. An amount of \$49,320 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.
- (iii) On October 15, 2019, 200,000 warrants were exercised at \$0.05 for gross proceeds of \$10,000. An amount of \$4,403 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.
- (iv) On November 29, 2019, 3,200,000 warrants were exercised at \$0.05 for gross proceeds of \$160,000. An amount of \$70,444 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.
- (v) On December 4, 2019, 526,320 warrants were exercised at \$0.095 for gross proceeds of \$50,000. An amount of \$20,670 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.
- (vi) On December 24, 2019, 196,000 warrants were exercised at \$0.065 for gross proceeds of \$12,740. An amount of \$10,094 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.
- (vii) On January 15, 2020, 42,000 warrants were exercised at \$0.065 for gross proceeds of \$2,730. An amount of \$2,869 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

Fiscal 2019

- (viii) On February 26, 2019, 100,000 warrants were exercised at \$0.07 for gross proceeds of \$7,000. An amount of \$2,160 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

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15 Share capital and warrants (continued)

c) Warrants expired

Fiscal 2020

- (i) On April 7, 2019, 4,350,000 warrants, with an exercise price of \$0.16 per warrant, expired. An amount of \$178,785 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.
- (ii) On April 7, 2019, 76,000 warrants, with an exercise price of \$0.16 per warrant, expired. An amount of \$4,841 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.
- (iii) On September 27, 2019, 500,000 warrants, with an exercise price of \$0.16 per warrant, expired. An amount of \$18,193 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

Fiscal 2019

- (iv) On May 12, 2018, 4,230,000 warrants, with an exercise price of \$0.07 per warrant, expired. An amount of \$46,850 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.
- (v) On August 12, 2018, 1,500,000 warrants, with an exercise price of \$0.10 per warrant, expired. An amount of \$155,178 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.
- (vi) On October 10, 2018, 3,400,000 warrants, with an exercise price of \$0.12 per warrant, expired. An amount of \$156,600 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

d) Changes in Company warrants are as follows:

	Number of warrants	Weighted average exercise price
Balance, February 28, 2019	16,264,000	\$ 0.10
Exercised	(5,964,320)	0.08
Expired	(4,926,000)	0.16
Issued	12,062,500	0.06
Balance, February 29, 2020	17,436,180	\$ 0.06
Issued	6,740,000	0.07
Balance, August 31, 2020	24,176,180	\$ 0.07

The weighted average contractual life of all warrants outstanding as at August 31, 2020, is 18.6 months.

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15 Share capital and warrants (continued)

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

Number of warrants	Exercise price \$	Expiry Date
9,300,000 (1)	0.07	January 19, 2022
6,600,000	0.05	March 11, 2021
1,536,180	0.095	April 11, 2024
6,740,000	0.07	June 12, 2022

(1) On November 25, 2019, the Board of Directors approved an extension of 24 months to the exercisable period. Accordingly, these warrants will now expire on January 19, 2022. Exchange approval was received on December 3, 2019.

16 Share-based payments

The Company has a stock option plan whereby the Board of Directors may grant to directors, officers or consultants of the Company options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The Board of Directors approved a “rolling” stock option plan (the “Plan”) reserving a maximum of 10% of the shares of the Company at the time of the stock option grant, with a vesting period allowed of zero up to 18 months, when the grant of option is made at market price, for the benefit of its directors, officers, employees and consultants. The Plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of Directors.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, an officer, an employee or consultant of the Company and between three and 12 months after the beneficiary has left.

The options granted in 2020 and 2019 were granted at a price equal to the closing market value of the shares, the previous day before the grant.

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16 Share-based payments (continued)

The changes to the number of stock options granted by the Company and their weighted average exercise price are as follows:

	August 31 2020		February 29 2020	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Stock options				
Balance – Beginning of period	4,200,000	0.07	6,275,000	0.07
Granted	2,850,000	0.095	1,550,000	0.095
Expired	-	0.066	(2,625,000)	0.066
Exercised	-	0.06	(1,000,000)	0.06
Balance – End of period	7,050,000	0.08	4,200,000	0.08
Options exercisable – End of period	6,962,500	0.085	3,937,500	0.085

Fiscal 2019

No options were exercised during the period ended August 31, 2020.

For the period ended August 31, 2020, the share-based compensation charged to the consolidated statement of operations was \$240,688 (year ended February 29, 2020 – \$125,860).

As at August 31, 2020, the Company had the following stock options outstanding:

Expiry date	Exercise price \$	Options granted	Number of options exercisable	Remaining contracts life (years)
October 31, 2021	0.07	600,000	600,000	1.17
November 21, 2021	0.07	350,000	175,000	1.22
May 22, 2022	0.10	500,000	500,000	1.72
May 31, 2022	0.10	750,000	750,000	1.75
September 18, 2023	0.05	800,000	800,000	3.05
April 25, 2024	0.11	950,000	950,000	3.65
November 25, 2024	0.07	250,000	250,000	4.24
July 7, 2025	0.09	2,850,000	2,850,000	4.85
		7,050,000	6,875,000	3.42

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16 Share-based payments (continued)

During the period ended August 31, 2020 and year ended 2019, share-based compensation fair value was calculated on options based on the following assumptions:

Grant Date	November 21, 2019	November 25, 2019	July 7, 2020
Number of options	350,000	250,000	2,850,000
Exercise price	\$0.07	\$0.07	\$0.09
Risk free interest	1.52%	1.53%	0.35%
Expected volatility	137.92%	174.5%	159.52%
Expected life (years)	2	5	5
Estimated fair value per option	\$0.047	\$0.067	\$0.083
Estimated fair value	\$16,552	\$16,640	\$236,550
Forfeiture rate	0.00%	0.00%	0.00%

The underlying expected volatility was determined by reference to historical data of the Company's shares on the Exchange over the expected average life of the options. No special features inherent in the options granted were incorporated into measurement of fair value.

17 Loss per share

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: warrants and stock options. For both, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the year), based on the exercise prices attached to the warrants and stock options. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of the warrants and stock options. For the period ended August 31, 2020, and February 29, 2020, all share options and warrants were anti-dilutive since the Company reported a net loss.

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17 Loss per share (continued)

The calculation of basic and diluted loss per share is based on the net loss for the period divided by the weighted average number of shares outstanding during the same period.

	Three-months period ended August 31 2020 \$	Three-months period ended August 31 2019 \$	Six-months period ended August 31 2020 \$	Six-months period ended August 31 2019 \$
Net income (loss) for the period	(17,100)	(128,915)	(824)	(462,092)
Weighted average number common shares outstanding	88,279,751	78,054,561	83,896,141	77,105,735
Dilutive share options and warrants	-	-	-	-
Weighted average number of outstanding shares for diluted earnings per share	88,279,751	78,054,561	83,896,141	77,105,735
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

18 General and administration

	Three-months period ended August 31 2020 \$	Three-months period ended August 31 2019 \$	Six-months period ended August 31 2020 \$	Six-months period ended August 31 2019 \$
General and administrative				
Bad debts	(28,000)	-	(28,000)	-
Consulting fees, salaries	51,130	55,489	115,543	114,677
Travel and promotion	11,307	9,034	40,311	102,939
Shareholder information	9,524	8,705	16,472	19,864
Professional fees	89,116	58,491	131,486	82,516
Office and general expense	13,760	14,027	20,457	36,429
	146,837	145,746	296,269	356,425

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19 Related party balances and transactions

Related parties include the Board of Directors and key management personnel as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. These transactions were measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

(a) Transactions with key management personnel

Remuneration of key management personnel of the Company was as follows:

Related party transactions	Three-month period ended August 31 2020 \$	Three-month period ended August 31 2019 \$	Six-month period ended August 31 2020 \$	Six-month period ended August 31 2019 \$
Consulting fees	33,000	34,950	56,000	70,822
Commission CARDS (CEO)	15,503	10,000	16,703	20,500
Salaries and benefit	32,305	32,308	64,610	59,998
Share based payments	161,850	-	161,850	105,082
	<u>242,658</u>	<u>77,258</u>	<u>299,163</u>	<u>256,402</u>

On August 31, 2020, directors and key management personnel were owed \$31,703 (August 31, 2019 - \$10,000), which is included in accounts payables and accrued liabilities.

Related party transactions	Three-month period ended August 31 2020 \$	Three-month period ended August 31 2019 \$	Six-month period ended August 31 2020 \$	Six-month period ended August 31 2019 \$
Diagnos Inc. – Consulting fees	33,527	30,225	63,779	37,285
Diagnos – Cards commission (2)	10,403	5,000	12,403	8,750
	<u>43,930</u>	<u>35,225</u>	<u>76,182</u>	<u>46,035</u>

On August 31, 2020, a related company was owed \$21,403 (August 31, 2019 - \$5,000), which is included in accounts payable and accrued liabilities (note 12).

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The Company entered into the following transactions with key management personnel:

On March 1, 2020, the Company entered into an employment contract (the "Contract") with the Company's Chief Executive Officer (the "CEO"). Pursuant to the Contract, the CEO is entitled to a commission of 10% on all sales of CARDS services of contracts if they total more than \$300,000.

On March 1, 2020, the Company entered into a consulting agreement (the "Agreement") with the CFO and a company controlled by him. Pursuant to the Agreement, he will receive a fee of \$6,000 per month as total compensation. The consultant can terminate the Agreement by giving two months written notice. The Company can terminate the Agreement by giving written notice and paying three times the monthly fee. If the consultant's position is terminated without cause or following a change of control, the Company must pay the consultant an amount equal to 6 times the monthly fee.

On April 23, 2019, the Company entered into a Services Agreement (the "Agreement") with a consultant for the provision of the specified services which include acting as the Chairman of the Company's Board of Directors. Pursuant to the Agreement, the consultant receives a fee of \$5,000 per month as compensation. Either party can terminate the Agreement (i) for convenience on the 30th day after giving written notice of termination or (ii) immediately for breach by giving written notice of termination.

20 Segmented information

The Company has determined that it operates in two segments, being acquisition, exploration and development of mineral properties for economically recoverable reserves in Canada and providing services using CARDS.

21 Capital management policies and procedures

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties and to further develop its CARDS consulting services business as described in notes 4 g) and 8. 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 team to sustain the future development of the business. The Company considers its capital to be equity attributable to equity holders of the parent company, which is comprised of share capital, reserves and deficit which as at August 31, 2020, totalled a surplus of \$1,445,513 (February 28, 2020 – a surplus of \$866,946).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities.

In order to carry out its business plans and pay for general and administration costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

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21 Capital management policies and procedures (continued)

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) minimizing discretionary disbursements;
- (ii) focusing financing exploration expenditures on those properties considered to have the best potential; and
- (iii) Exploring alternative sources of liquidity by providing services using CARDS.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company thinks there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company's capital management objectives, policies and processes have remained unchanged during the period ended August 31, 2020 and the year ended February 29, 2020.

22 Financial instruments

Measurement categories

As explained in note 4 e), financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of operations. Those categories are amortized cost, fair value through profit or loss and fair value through other comprehensive income and, for liabilities, amortized cost and fair value through profit or loss. The following table shows the carrying values of assets and liabilities for each of these categories as at August 31, 2020 and February 29, 2020.

Financial instruments	August 31 2020	February 29 2020
	\$	\$
Assets – Amortized cost		
Cash	346,456	104,677
Amounts receivable (except G/QST) (note 7)	173,287	142,821
Subscription paid	100,000	100,000
	<u>591,534</u>	<u>347,498</u>
Assets – Fair value		
Marketable securities (note 8)	830,973	393,534
	<u>1,460,460</u>	<u>741,032</u>
Liabilities – Amortized cost		
Accounts payable and accrued liabilities (note 12)	144,208	119,304

As at August 31, 2020, the carrying values of cash, amounts receivable, subscription paid and accounts payable and accrued liabilities approximate their fair value due to their relative short maturities.

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22 Financial instruments (continued)

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized at fair value in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. As at August 31, 2020, marketable securities were categorized as level 1. As at August 31, 2020 and February 29, 2020, no other financial assets and or liabilities were categorized as level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). As at August 31, 2020 and February 29, 2020, no financial assets and liabilities were categorized as level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data. As at August 31, 2020 and February 29, 2020, no financial assets and liabilities were categorized as level 3.

23 Financial risks factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, fair value risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and amounts receivable. The Company reduces its credit risk by maintaining part of its cash in financial instruments held with a Canadian chartered bank.

The Company's management considers that financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Company's financial assets are secured by collateral or other credit enhancements.

ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Management estimates that the funds as at August 31, 2020, will not be sufficient to meet the Company's obligations and budgeted expenditures through February 28, 2021. Any additional funding may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Cash flow forecasting is performed by the Company which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Surplus cash over and above balances required for working capital management are invested in interest bearing short-term deposits with

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23 Financial risks factors (continued)

a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. Accounts payable and accrued liabilities as at August 31, 2020, consist of items that should be settled within approximately 30 days. See note 2 for information on going concern.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

a) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is therefore not exposed to fluctuations in the value of assets and liabilities as they are denominated in Canadian dollars.

b) Equity price risk

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.

As at August 31, 2020, the Company holds shares of publicly listed companies (note 8). The Company is exposed to market risk from unfavourable or favourable market conditions.

24 Commitments and contingencies

Flow-through shares

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is committed to using the financing proceeds for mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements; or
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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24 Commitments and contingencies (continued)

Investor relations

On March 1, 2020, the Company modified the agreement entered into with an Investor Relations Agreement (the "Agreement") company to provide investor awareness services. Pursuant to the Agreement, the Investor Relations company will received 350,000 options (note 16) and will receive a monthly fee of \$1,000. Either party can terminate the Agreement at any time by giving 30 days written notice. The Agreement is for term of 8 months.

25 Events after the reporting period

None