

GAINEY CAPITAL CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of Gainey Capital Corp. as at December 31, 2020 and 2019, notes to unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GAINEY CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

AS AT

	DECEMBER 31, 2020	MARCH 31, 2020
ASSETS		
Current		
Cash and cash equivalents	\$ 37,267	\$ 75,459
Restricted cash (Note 11)	46,000	46,000
Receivables	9,231	5,957
Due from related party (Note 9)	-	101,008
Prepaid expenses	12,594	6,896
	105,092	235,320
Plant and equipment (Note 4)	195,877	232,759
Exploration and evaluation assets (Note 5)	2,484,644	2,484,644
	\$ 2,785,613	\$ 2,952,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 202,894	\$ 221,186
Due to related party (Note 9)	60,918	2,625
Shares subscriptions returnable (Note 7)	2,550	2,550
	266,362	226,361
Shareholders' equity		
Share capital (Note 7)	13,332,970	13,332,970
Share subscriptions receivable (Note 7)	(52,400)	(52,400)
Reserves	1,420,220	1,420,220
Deficit	(12,181,539)	(11,974,428)
	2,519,251	2,726,362
	\$ 2,785,613	\$ 2,952,723

Nature and continuance of operations (Note 1)
Subsequent event (Note 13)

On behalf of the Board:

"David Coburn"

Director

"Brent Omland"

Director

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

GAINEY CAPITAL CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****(Expressed in Canadian Dollars)**

	Three months ended December 31, 2020	Three months ended December 31, 2019	Nine months ended December 31, 2020	Nine months ended December 31, 2019
EXPENSES				
Accounting and audit	\$ 10,500	\$ 7,500	\$ 33,000	\$ 45,866
Amortization	12,294	13,398	36,882	40,193
Legal	156	2,778	1,367	4,195
Management fees	39,090	39,570	120,543	119,665
Office	4,681	24,431	10,300	45,880
Share-based compensation	-	-	-	113,500
Shareholder & investor relations	-	15,799	-	97,776
Transfer agent and regulatory fees	1,362	4,851	10,311	14,725
Travel	-	3,835	-	42,208
	(68,083)	(112,162)	(212,403)	(524,008)
OTHER INCOME				
Interest earned	255	573	256	606
Foreign exchange (loss) / gain	(157)	(1,215)	(4,014)	(1,658)
Write-off of Accounts payables	2,450	-	9,050	-
	2,548	(642)	5,292	(1,052)
Loss and comprehensive loss for the period	\$ (65,535)	\$ (112,804)	\$ (207,111)	\$ (525,060)
Loss per common share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding:				
Basic and diluted	84,196,472	84,196,472	84,196,472	84,187,617

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

GAINEY CAPITAL CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 and 2019

	Number of Shares	Amount	Share subscriptions receivable	Reserves	Deficit	Total
Balance – April 1, 2019	82,978,940	13,257,970	(52,400)	1,088,782	(11,123,857)	3,170,495
Shares issued for property	1,217,532	75,000	-	-	-	75,000
Share-based compensation	-	-	-	119,000	-	119,000
Loss for the period	-	-	-	-	(525,060)	(525,060)
Balance – December 31, 2019	84,196,472	\$ 13,332,970	\$ (52,400)	\$ 1,207,782	\$ (11,648,917)	\$ 2,839,435
Balance – April 1, 2020	84,196,472	13,332,970	(52,400)	1,420,220	(11,974,428)	2,726,362
Loss for the period	-	-	-	-	(207,111)	(207,111)
Balance – December 31, 2020	84,196,472	\$ 13,332,970	\$ (52,400)	\$ 1,420,220	\$ (12,181,539)	\$ 2,519,251

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

GAINEY CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Three months ended December 31, 2020	Three months ended December 31, 2019	Nine months ended December 31, 2020	Nine months ended December 31, 2019
CASH PROVIDED BY (USED IN):				
Cash flows from operating activities:				
Loss for the period	\$ (65,535)	\$ (112,804)	\$ (207,111)	\$ (525,060)
Non-cash items:				
Amortization	12,294	13,398	36,882	40,193
Share-based compensation	-	-	-	113,500
Changes in non-cash working capital:				
GST receivable	(599)	(766)	(3,274)	1,525
Accounts receivable	-	(10,000)	-	(24,678)
Prepaid expense	(10,566)	(6,554)	(5,698)	471
Trade and other payables	(32,584)	9,598	40,001	(47,220)
Due from related party	101,008	(29,063)	101,008	(84,063)
	4,018	(136,191)	38,192	(525,332)
Cash flows from investing activities:				
Exploration advances	-	38,357	-	(107,310)
Expenditures on resource properties	-	(53,589)	-	(242,496)
	-	(15,232)	-	(349,806)
Cash flows from financing activities:				
Shares issued for cash (net)	-	-	-	-
Share subscriptions received	-	-	-	-
	-	-	-	-
Increase (decrease) in cash	4,018	(151,423)	(38,192)	(875,138)
Cash – beginning of period	33,249	269,126	75,459	992,841
Cash – end of period	\$ 37,267	\$ 117,703	\$ 37,267	\$ 117,703

Supplemental disclosure on non-cash financing activities:

Share-based compensation included in
exploration & evaluation assets \$ 5,500

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

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

1. NATURE AND CONTINUANCE OF OPERATIONS

Gainey Capital Corp. (the “Company”) is in the business of mineral property exploration and development in Mexico. The Company was incorporated under the Business Corporations Act (British Columbia) on February 11, 2011 and is publicly listed on the TSX Venture Exchange (the “Exchange”) under the symbol GNC. The Company’s head office is located at Suite 312–125 West 18th Street, Vancouver, BC, Canada V7M 1W5.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

The Company had a net loss of \$207,111 for the nine months ended December 31, 2020, and an accumulated deficit of \$12,181,539 (March 31, 2020 – \$11,974,428), which has been funded primarily by the issuance of equity. The Company’s ability to continue as a going concern is uncertain and is dependent upon the generation of profits from exploration and evaluation assets, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company’s assets may be adversely affected. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These audited condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on March 1, 2021.

Consolidation

The consolidated financial statements include, on a consolidated basis, the assets, liabilities, revenues and expenses of the Company and its wholly-owned dormant subsidiaries, Gainey Mexico, S.A. de C.V. and Minera Buena Fortuna, S.A. de C.V., which were incorporated in Mexico and which carry out the exploration and evaluation activities in Mexico. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany transactions and balances are eliminated on consolidation.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

3. NEW STANDARDS PRONOUNCEMENTS

The Company adopted the following IFRS standard effective April 1, 2019.

IFRS 16 – Leases

The Company applies IFRS 16 to its leases. The Company assesses whether a contract is or contains a lease at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term unless another systematic basis is more representative of the usage of the economic benefits from the leased asset.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrow rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, payments made on or before the lease commencement and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

The Company has assessed all contracts greater than 12 months of duration and concluded that none of its contracts meet the definition of a lease in the context of IFRS 16 and as a result the adoption of this standard did not have any significant impact on the Company's consolidated financial statements.

4. PLANT AND EQUIPMENT

	Processing plant and equipment	Mining equipment	Transportation equipment	Total
Cost				
Balance, March 31, 2020	\$ 612,354	\$ 25,100	\$ 52,934	\$ 668,723
Additions	-	-	-	-
Balance, December 31, 2020	\$ 612,354	\$ 25,100	\$ 52,934	\$ 690,388
Accumulated amortization				
Balance, March 31, 2020	(413,943)	(16,995)	(26,691)	(457,629)
Amortization	(29,762)	(1,215)	(5,905)	(36,882)
Balance, December 31, 2020	\$ (443,705)	\$ (18,210)	\$ (32,596)	\$ (494,511)
Net book value, December 31, 2019	\$ 210,812	\$ 8,612	\$ 5,068	\$ 224,492
Net book value, December 31, 2020	\$ 168,649	\$ 6,890	\$ 20,338	\$ 195,877

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

5. EXPLORATION AND EVALUATION ASSETS

	El Colomo Property	Las Margaritas Property	Totals
Acquisition costs:			
Beginning balance: April 1, 2019	\$ 161,397	\$ 32,375	\$ 193,772
Cash payments	-	40,813	40,813
Share issue payments	-	75,000	75,000
Accrued payments	-	34,654	34,654
Acquisition costs – March 31, 2020	161,397	182,842	344,239
Exploration costs - Beginning balance:	\$ 1,722,535	\$ 82,729	\$ 1,805,264
Deferred exploration costs:			
Concession taxes	-	12,273	12,273
Drilling	-	53,120	53,120
Equipment rental	-	41,077	41,077
Field expenses	-	102,050	102,050
Geological consulting	-	116,031	116,031
Share-based compensation	-	5,500	5,500
Site personnel	-	1,748	1,748
Travel	-	3,342	3,342
Total deferred exploration costs:	-	335,141	335,141
Cumulative exploration costs, March 31, 2020	1,722,535	417,870	2,140,405
Acquisition and Explorations costs	\$ 1,883,932	\$ 600,712	\$ 2,484,644

	El Colomo Property	Las Margaritas Property	Totals
Acquisition costs:			
Beginning balance: March 31, 2020	\$ 161,397	\$ 182,842	\$ 193,772
Acquisition costs – December 31, 2020	161,397	182,842	344,239
Exploration costs - Beginning balance:	\$ 1,722,535	\$ 417,870	\$ 2,140,405
Acquisition and Explorations costs – December 31, 2020	\$ 1,883,932	\$ 600,712	\$ 2,484,644

There were no exploration costs incurred on either property during the nine-month period ended December 31, 2020. The global outbreak of COVID-19 is still ongoing and has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican governments regarding travel, business operations and isolation/quarantine orders.

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

EL COLOMO PROPERTY

On October 2, 2013, the Company completed the acquisition from Golden Anvil S.A. de C.V. ("Golden Anvil") of certain assets comprising of the El Colomo concessions, a concentration plant, and other associated assets and equipment (the "Assets") all located in Mexico. The Company's consideration for acquiring the Assets was as follows:

- Issued 12,000,000 common shares in the capital of the Company to Golden Anvil nominees at a value of \$6,000,000.
- Issued a special warrant of the Company to Golden Anvil convertible, for no additional consideration, from time to time, into that number of common shares of the Company equal to the number of ounces of gold or gold-equivalent, categorized as measured and indicated mineral resources (as such terms are defined by the Canadian Institute of Mining, Metallurgy and Petroleum), upon receipt by the Company and/or Golden Anvil of a technical report prepared in accordance with National Instrument 43-101 by an independent qualified person (as defined in NI 43-101) in relation to the El Colomo concessions on or before September 27, 2019, subject to an aggregate maximum of 3,000,000 common shares. No value was attributed to the special warrant due to the uncertainty in establishing the required measured and indicated mineral resources.

The shares and special warrant issued are subject to surplus escrow agreements pursuant to Exchange policy. The shares, and any shares issued on the conversion of the special warrant were to be released from escrow on a trickle-out basis over a period of three years from the date of the final Exchange bulletin (the "Bulletin").

The Company also issued 665,000 common shares at a value of \$332,500 to Avonlea Ventures Inc., an arm's length party, as a finder's fee with respect to the acquisition of the Assets.

The Company has not registered the concessions under the Company name with the Public Registry of Mines ("PRM") in Mexico. These mineral concessions are registered with the PRM under the name of Golden Anvil and the Company has been assigned the rights to explore the concessions.

Promissory Note

As part of the El Colomo acquisition, the Company could recover property costs incurred by the Company on behalf of Golden Anvil through a promissory note ("Note"). Due to uncertainty in collecting the Note, the Company accounted for the costs incurred as part of exploration and evaluation assets. Any amounts received from the Note will be offset against exploration and evaluation assets.

The Note has an interest rate of 12% per annum compounded monthly. The Note is secured by 800,000 common shares issued as part of the El Colomo acquisition ("Pledged Shares") and personally guaranteed by Marco Antonio Rincon-Valdes (a former director of the Company) and Francisco Rolando Rincon-Romo. Pursuant to the Note, Golden Anvil agreed to repay 50% of the original balance on or before October 2, 2014, and the remaining 50% on or before April 2, 2015. Payment was not made, and the Company has taken action pursuant to the personal guarantees and if necessary, the Company may realize on the Pledged Shares.

During the year ended March 31, 2017, the Company received notice of a claim from Marco Antonio Rincon-Valdes seeking the delivery of 571,337 escrowed common shares of the Company pursuant to the terms of the El Colomo purchase agreement, as well as for general damages associated with a claimed breach of the purchase agreement. As at December 31, 2020, no provisions have been recorded for any potential liability arising from this matter, as management believes the claim to be without merit, with the likelihood of the Company being required to pay general damages being remote.

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

LAS MARGARITAS PROPERTY

On July 30, 2018, the Company entered into an option agreement with First Mining Gold Corp. (“First Mining”) granting the Company the right to earn a 100% interest in the Las Margaritas property located in the State of Durango, Mexico. The property is comprised of two mineral concessions.

Under the terms of the four-year option agreement, the Company can elect to make either annual share or cash payments to First Mining in the following amounts:

Payment Term	CAD\$ Aggregate Value of Common Shares (applicable Mexican VAT to be paid in cash)	CAD\$ Cash Payment (inclusive of applicable Mexican VAT @ 16%)
Upon approval by the TSX Venture Exchange (received on January 25, 2019)	\$75,000 in Shares (\$12,000 in Cash – VAT)	N/A
First anniversary date of the agreement (Not Paid)	\$175,000 in Shares (\$28,000 in Cash – VAT)	\$174,000 in Cash
Second anniversary date of the agreement (Not Paid)	\$250,000 Shares (\$40,000 in Cash – VAT)	\$261,000 in Cash
Third anniversary date of the agreement	\$225,000 Shares (\$36,000 in Cash – VAT)	\$232,000 in Cash
Fourth anniversary date of the agreement	\$225,000 Shares (\$36,000 in Cash – VAT)	\$232,000 in Cash

In addition, as per the terms of the option agreement, the Company will make annual cash payments to First Mining of USD\$25,000 from September 2018 (paid) to September 2020, and USD\$250,000 in September 2021 in connection with an existing agreement on the property, and will incur exploration expenditures on the Las Margaritas property totaling USD\$1,000,000 over the four-year option period. Upon completion, Gainey will obtain 100% ownership of the Las Margaritas project and First Mining will retain a 2% net smelter returns (“NSR”) royalty, with Gainey having the right to buy back 1% of the NSR royalty for USD\$1,000,000 up until the first anniversary of the commencement of commercial production at the project.

As a result of the COVID-19 pandemic, the local communities have restricted access to both the El Colomo and Las Margaritas properties. The Company is closely monitoring the COVID-19 virus and is actively negotiating with the various community leaders in order to lift the restrictions, but access is still restricted at this point of time. As a result, the first anniversary payments were not made with respect to the Las Margaritas property. The Company is negotiating with the option owner and until such time that this matter is resolved, the Company will defer making the required first anniversary property payments.

The Company’s geological team has been evaluating exploration opportunities throughout Mexico and in Nevada. Management is at an advanced stage of negotiations on new acquisitions in both of these areas that will afford the opportunity for significant value appreciation for shareholders. Given these new opportunities, management has taken the decision not to continue with the option on the Las Margaritas gold project in Durango, Mexico, and has notified First Mining Gold accordingly.

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	March 31, 2020
Accounts payable	\$ 50,660	\$ 86,528
Accrued liabilities	152,234	134,658
	\$ 202,894	\$ 221,186

7. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Share issuances

Nine months ended December 31, 2020

No shares were issued during the current period.

Year ended March 31, 2020

On April 2, 2019, the Company issued 1,217,532 common shares to First Mining Gold Corp as per the terms of the Option Agreement on the Las Margaritas property (described in Note 6) with a recorded fair value of \$75,000.

Year ended March 31, 2019

On April 19, 2018, the Company issued 60,000 shares at a price of \$0.12 per share for subscription funds of \$7,200 received during the year ended March 31, 2018.

On January 9, 2019, the Company closed the first tranche of the non-brokered private placement. The Company issued 15,000,000 Units at a price of \$0.05 per Unit. Each Unit consisted of one common share and one non-transferable common share purchase warrant exercisable at \$0.10 to purchase an additional common share for a period of 48 months from closing.

On February 28, 2019, the Company closed the second and final tranche of a non-brokered private placement and issued a further 10,300,000 Units. The Company raised gross proceeds of \$1,265,000 for both tranches.

During the fiscal year, \$18,300 of prior year subscriptions were received. In addition, 1,000,000 shares at \$120,000 relating to subscriptions receivable were returned to treasury and cancelled.

The Company also received \$52,550 of share subscriptions that are returnable of which \$50,000 has been returned to the subscribers during the year ended March 31, 2020.

Shares held in escrow

Included in the shares outstanding at December 31, 2020 are 6,673,698 (2019 – 7,633,698) common shares held in escrow, which may not be transferred, assigned or otherwise dealt without the consent of the regulators.

During the six-month period ended December 31, 2020 and 2019, certain escrow releases were not completed pursuant to escrow agreements because of non-payment issues regarding the Note with Golden Anvil (Note 6). A special warrant (as described in Note 6) exercisable for up to 3,000,000 common shares of the Company is also held in escrow.

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

7. SHARE CAPITAL (cont'd)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
Balance, April 1, 2018	28,780,486	0.27	1.27
Expired	(14,367,500)	0.30	-
Cancelled	(1,416,667)	0.24	-
Granted	25,360,000	0.08	2.45
Balance, March 31, 2020	38,356,319	\$ 0.13	3.01
Expired	(9,447,353)	0.24	-
Expired	(250,000)	0.18	-
Balance, December 31, 2020	28,658,966	\$ 0.15	2.05

Additional information regarding warrants outstanding as at December 31, 2020 is as follows:

Number of warrants	Exercise Price	Expiry Date
3,358,966	\$0.24	January 16, 2021
15,000,000	\$0.10	January 3, 2023
10,300,000	\$0.10	March 18, 2023

The weighted average remaining contractual life of warrants outstanding at December 31, 2020 is 1.45 years (2019 – 2.15 years).

8. SHARE-BASED PAYMENTS

Stock options

The Company follows the policies of the Exchange, under which it is authorized to grant options to officers, directors, employees and consultants, enabling them to acquire a number of shares equal to up to 10% of the issued and outstanding common shares of the Company. The exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the Exchange. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

The changes in stock options are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2019	2,195,000	0.22
Granted	1,350,000	0.12
Granted	2,150,000	0.12
Balance, December 31, 2019	5,695,000	\$ 0.15
Balance, March 31, 2020	5,695,000	0.12
Expired	(925,000)	0.25
Balance, December 31, 2020	4,770,000	\$ 0.17

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

8. SHARE-BASED PAYMENTS (cont'd)

The Company applies the fair value method using the Black-Scholes Option Pricing Model in accounting for stock options granted to employees. Stock options granted to non-employee are valued using the Black-Scholes Option Pricing Model as the fair values of services received were not reliably measurable.

The fair value of the options granted was calculated using the following weighted average assumptions:

	2020	2019
Expected life (years)	5.00	5.00
Risk-free interest rate	1.15%	0.73%
Expected annualized volatility	129%	78%
Dividend yield	N/A	N/A
Stock price at grant date	\$0.10	\$0.10
Exercise price	\$0.12	\$0.12
Weighted average grant date fair value	\$0.11	\$0.11

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

The following stock options were outstanding and exercisable at December 31, 2020:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Expiry Date
1,270,000	1,270,000	0.05	September 8, 2021
1,350,000	1,350,000	0.03	April 1, 2024
2,150,000	2,150,000	0.05	September 17, 2024
4,770,000	4,770,000	\$ 0.15	

The weighted average remaining contractual life of stock options outstanding at December 31, 2020 is 2.50 years (2019 – 3.48 years).

Reserves

The stock option reserve records items recognized as share-based compensation expense within reserves until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

GAINEY CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. RELATED PARTY TRANSACTIONS AND BALANCES

The remuneration of key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company during the nine months ended December 31, 2020 and 2019 is as follows:

	Nine Months ended	
	December 31, 2020	December 31, 2019
Management fees paid/accrued to the CEO	\$ 120,453	\$ 119,665
Accounting fees paid/accrued to the CFO	22,500	22,500
Share-based compensation	-	52,500
	<u>\$ 142,953</u>	<u>\$ 194,665</u>

Related party balances

As at December 31, 2020, a total of \$Nil (2019 – \$84,063) had been advanced to the CEO of the Company. Included in due to related party at December 31, 2020 is \$53,043 (2019 - \$Nil) payable to the CEO and \$7,875 (2019 - \$Nil) payable to the CFO for fees and expenses.

10. MANAGEMENT OF CAPITAL

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition, exploration and evaluation 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's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares or issue debt in the near future to meet its current obligations.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

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11. FINANCIAL RISK MANAGEMENT

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making fair value measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020, the carrying values of the Company's receivables, accounts payable and accrued liabilities and due from to related party approximate their fair values due to their short terms to maturity. The Company's cash and cash equivalents and restricted cash, under the fair value hierarchy is based on level one quoted inputs.

Financial Risks

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consist of bank accounts held with reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to \$100,000 in Canada and the Company holds nominal amounts in Mexican accounts as at December 31, 2020 and 2019. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. Accordingly, as at December 31, 2020, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

At December 31, 2020, the Company had a cash balance of \$37,267 (March 31, 2020 - \$75,459) to settle current liabilities of \$266,362 (March 31, 2020 - \$226,361). The Company has corporate credit cards with various credit limits not exceeding \$35,000. As collateral for the credit cards, the Company has a restricted one-year term deposit of \$46,000 earning annual interest at Canadian prime rate less 2.25%.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and loans from related and other parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company is exposed to liquidity risk.

Market risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At December 31, 2020, the Company was not exposed to significant interest rate risk.

The Company is principally engaged in the acquisition and exploration of exploration and evaluation assets in Mexico. To date the operating expenditures have been denominated in Canadian dollars. In the future, due to the location of operations, the Company may experience exposure to foreign exchange rate fluctuations for expenditures in foreign currencies against the Canadian dollar as the functional currency of the business entity.

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12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Mexico. As at December 31, 2020, all of the Company's exploration and evaluation assets and plant and equipment are located in Mexico.

13. SUBSEQUENT EVENT

During February 2021, the Company completed a non-brokered private placement with the issuance of 11,000,000 units at a price of \$0.05 per unit for gross proceeds of \$550,000. Each unit consists of one common share and one common share purchase warrant which entitles the holder to purchase an additional common share of the Company at a price of \$0.075 for a period of two years, expiring on February 8, 2023. The shares and underlying shares are subject to a four-month hold period. No finder's fees were paid in connection with the private placement.

The net proceeds of the Offering will be used for due diligence on potential mineral concessions the Company is currently looking at, as well as for general working capital.

On February 23, 2021, the Company announced it has granted up to 3 million incentive stock options to directors, officers and consultants, pursuant to Gainey's stock option plan and subject to TSX Venture approval. The options have an exercise price of \$0.10 and a term of three years from the date of grant.

Subsequent to the period, the global outbreak of COVID-19 is still ongoing and has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are implemented. As a precaution against the risk of COVID-19 the Company and Resolution temporarily suspended drilling operations at the Las Margaritas property.