

GAINNEY CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended March 31, 2020 and 2019

**GAINEY CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

This Management Discussion and Analysis ("MD&A") of Gainey Capital Corp. (the "Company") provides analysis of the Company's financial results for the year ended March 31, 2020 and should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto for the year ended March 31, 2020, which are available on SEDAR at www.sedar.com. This MD&A is current as at July 29, 2020, the date of preparation.

The March 31, 2020 audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

DESCRIPTION OF BUSINESS AND OVERVIEW

Gainey Capital Corp. ("Gainey" or the "Company") is in the business of mineral property exploration and development in Mexico. Gainey 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.

Acquisition of Golden Anvil Assets

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"). 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").

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.

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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 March 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.

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 located approximately 140 kilometres to the southeast of Mazatlan, Sinaloa and is comprised of two mineral concessions encompassing a total of 500 hectares. As shown in the map below, the concessions lie to the north of Gainey’s El Colomo project and within El Colomo’s overall claim package.

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

Payment Term	CAD\$ Aggregate Value of Gainey 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 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	\$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, Gainey 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.

Exploration and Evaluation – Use of Private Placement proceeds to March 31, 2020

Cash balance, March 31, 2019	\$ 992,841
Exploration and evaluation assets expenditures	(410,608)
Plant and equipment purchases	(21,665)
General corporate activities	(485,109)
Cash balance, March 31, 2020	<u>\$ 75,459</u>

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Concessions

The El Colomo Property is made up of four claims for a total of 18,018.2382 hectares. Gainey Capital has not registered the concessions under the Company name with the Public Registry of Mines ("PRM") in Mexico as these mineral concessions are registered with the PRM under the name of Golden Anvil.

Exploration and Evaluation Assets

	March 31, 2020			March 31, 2019
Acquisition Costs	\$ 344,239			\$ 193,772
Deferred Exploration Costs	2,054,760			1,805,264
	\$ 2,398,999			\$ 1,999,036

	El Colomo Property		Las Margaritas Property		Totals
Acquisition costs:					
Beginning balance: March 31, 2019	\$ 161,397	\$	32,375	\$	193,772
Cash payments	-		40,813		40,813
Share 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

Current Exploration Activities

On October 28, 2019, the Company announced that it has temporarily halted all drilling activity at its Las Margaritas Property in Durango, Mexico following discussions with the local Indigenous groups. Gainey representatives and management are engaged in a dialogue to understand the concerns of community members and further updates will be provided as information is received.

On October 16, 2019, the Company announced that it had commenced a diamond drilling program at the Las Margaritas gold project in Durango, Mexico. Up to 32 targets on the property have been approved for drilling by the Mexican Environmental Agency (SEMARNAT) and this initial phase will comprise approximately 1080 meters in 11 holes (see map link) focused on the best mineralization exposed on surface.

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On August 14, 2019, the Company reported that it is in the final stages of preparing the infrastructure required for the upcoming drill program at the Las Margaritas gold project in Durango, Mexico. The repair and construction of approximately 39 kilometers of road are being completed by a D6 CAT to facilitate access for the exploration team and drilling equipment to and between drill sites. In addition, a water reservoir system is being constructed to support the drilling.

On April 10, 2019, the Company announced that it has received approval from the Mexican Environmental Agency ("SEMARNAT") to drill up to 32 holes at its newly optioned Las Margaritas mineral concessions in Durango, Mexico.

The upcoming drill program at Las Margaritas will focus on the best mineralization exposed on surface, where assays have returned up to 73.7 g/t gold (see Gainey news release dated 2019). Gold mineralization is typical of a low sulphidation epithermal system, as is common throughout this prolific geologic belt known as the Sierra Madre Occidental.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Year Ended March 31, 2020	Year Ended March 31, 2019	Year Ended March 31, 2018
Total revenue	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the year	(850,571)	(883,954)	(6,949,325)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.13)
Total assets	2,952,723	3,320,109	2,862,189
Total liabilities	226,361	149,614	83,325

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

The Company's recorded loss for the financial years ended March 31, 2020, 2019 and 2018 is comprised mainly of general and administrative expenses. The reported net loss for 2020 includes \$325,938 recorded for share-based compensation and the loss for 2018 includes the write off of exploration and acquisition costs for two of the six concessions in Mexico.

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SUMMARY OF QUARTERLY RESULTS

Selected financial indicators for the past eight quarterly periods are shown in the following table (expressed in Canadian dollars):

	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(325,510)	(112,804)	(243,014)	(169,243)
Loss per share – basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	\$ 2,952,723	\$ 2,941,829	\$ 3,045,035	\$ 3,179,716
Total liabilities	\$ 226,361	\$ 102,394	\$ 92,796	\$ 103,464

	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018	Three Months Ended June 30, 2018
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(476,199)	(154,487)	(139,353)	(113,915)
Loss per share – basic & diluted	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	\$ 3,320,109	\$ 2,944,688	\$ 2,649,559	\$ 2,748,649
Total liabilities	\$ 149,614	\$ 130,279	\$ 105,663	\$ 65,400

During the three months ended March 31, 2019, the Company recorded \$48,806 in repairs and maintenance costs which had previously been capitalized to Plant and Equipment and recorded \$234,315 in shareholder relations resulting in a higher loss over the other quarters presented in the table above. During the year ended March 31, 2018, the Company wrote off exploration and acquisition costs for two of the six concessions in Mexico. Fluctuations in the Company's expenditures reflect the variations in the timing of exploration activities and general operations, and the ability of the Company to raise capital for its projects, including share-based payments during certain quarters.

The Company's general and administrative expenditures are related to the level of financing and exploration activities that are being conducted, which may in turn depend on the Company's exploration prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. The Company does not acquire properties or conduct exploration work on its properties on a pre-determined basis. Thus, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Other than as herein disclosed, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's expenses, income from investing, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

RESULTS OF OPERATIONS

For the three-month periods ended March 31, 2020 and 2019

For the three months ended March 31, 2020, the Company incurred a net loss of \$325,510 compared to a net loss of \$476,199 for the three months ended March 31, 2019. The Company realized reductions in travel, legal, and regulatory fees during the current period but slight increases in shareholder relations.

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During the three-month period ended March 31, 2020, the Company incurred \$60,799 (2019 - \$15,939) in exploration costs on its Las Margaritas property in Mexico. Exploration costs included mainly geological consulting.

For the years ended March 31, 2020 and 2019

For the years ended March 31, 2020, the Company incurred a net loss of \$850,571 compared to a net loss of \$883,954. The lower net loss for the current period was due to a decrease in consulting fees and travel expense. The Company recorded \$325,938 (2019 - \$Nil) in share-based compensation which offset the decreases in a majority of the other expense categories.

During the years ended March 31, 2020, the Company incurred \$410,608 (2019 - \$195,728) in exploration costs on its Las Margaritas property in Mexico, made a cash payment of \$40,813, accrued an additional \$34,654 in costs for acquisition costs, and issued 1,217,532 shares to First Mining Gold Corp as part of the acquisition costs. Exploration costs include geological consulting, equipment rental and general field expenses.

On April 1, 2019, the Company granted 1,350,000 incentive stock options exercisable at a price of \$0.12 for a period of five years.

On September 17, 2019, the Company granted 2,150,000 incentive stock options exercisable at a price of \$0.12 for a period of five years.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

At March 31, 2020, the Company had a cash balance of \$75,459 (2019 - \$992,841) to settle current liabilities of \$226,361 (2019 - \$149,614). The Company expects to fund these liabilities and its exploration and operational activities through the issuance of capital stock over the coming year.

At March 31, 2019, the Company's cash and cash equivalents decreased by \$917,382 to \$75,459 from \$992,841. Cash used in investing activities was \$432,273 (2019 - \$195,728) for deferred exploration costs on the Company's exploration and evaluation assets.

At March 31, 2020, the Company held cash and cash equivalents of \$75,459, had working capital of \$8,959 has not yet achieved profitable operations, has commitments due in the coming fiscal year, and had an accumulated deficit of \$11,974,428 since inception and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to advance its mineral property interests, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The Company does not derive any revenues from operations and does not expect to generate any revenues from operations in the foreseeable future. The Company has no material income from operations.

The Company's financial performance is dependent upon many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, and impacted by changes in domestic and international political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production are difficult to predict. Changes in events could materially affect the financial performance of the Company.

The Company's mineral exploration activities have provided the Company with no sources of income and a history of losses and deficit positions. However, given the nature of its business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's performance and valuation.

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The Company is dependent on raising funds through the issuance of shares and/or debt instruments or disposing of interests it has in exploration and evaluation assets in order to finance further acquisitions, undertake exploration and development activities on exploration and evaluation assets and meet general and administrative expenses in the long term.

There is no assurance that additional funding will be available to allow the Company to fully explore its exploration and evaluation assets. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and the possible partial or total loss of the Company's interest in certain properties. The Company may be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized.

Management believes it will be able to raise equity capital as required in the long term but recognizes there will be risks involved that may be beyond their control. The Company has no outstanding debt facility upon which to draw.

RELATED PARTY TRANSACTIONS

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 years ended March 31, 2020 and 2019 is as follows:

	Years ended	
	March 31, 2020	March 31, 2019
Management fees paid/accrued to the CEO	\$ 159,975	\$ 157,980
Accounting fees paid/accrued to the CFO	30,000	30,000
Share-based compensation	134,804	-
	<u>\$ 324,782</u>	<u>\$ 163,370</u>

Related party balances

As at March 31, 2020, a total of \$76,330 (2019 – \$Nil) had been advanced to the CEO and is included in due from related party. Due from related party also includes \$24,678 (2019 – \$Nil) from a company with a Director in common. Included in due to related party at March 31, 2020 were \$2,625 (2019 - \$2,137) payable to the CFO.

SUBSEQUENT EVENTS

Subsequent to the year end, 925,000 options priced at \$0.25 expired unexercised.

Subsequent to year-end, there was a global outbreak of COVID-19, which 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.

FINANCIAL INSTRUMENTS

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the 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

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

As at March 31, 2020 the carrying values of the Company's loan receivable and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity. The Company's other financial instrument, 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 and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. At March 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. At March 31, 2020, the Company had working capital of \$8,959. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at March 31, 2020, the Company does not have adequate working capital to discharge its existing financial obligations and will need to raise additional financing to meet its current and future obligations. At March 31, 2020, the Company had a cash balance of \$75,459 (2019 - \$992,841) to settle current liabilities of \$226,361 (2019 - \$149,614). The Company is exposed to liquidity risk.

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.

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 March 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.

Mining concessions

The Company continues to evaluate its current mineral concession package with respect to some of the other opportunities that are being presented at this time. Failure to move forward with certain mineral concessions will not impact our operations as we will only eliminate the mineral concessions that have no exploration potential and therefore no value.

GOING CONCERN

To date the Company has not generated any significant revenues and is considered to be in the exploration and evaluation stage. The Company has sustained operating losses since inception and, as at March 31, 2020, has an aggregate operating

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deficit totaling \$11,974,428 (2019 - \$11,123,857). The continuing operations of the Company are dependent upon its ability to raise adequate financing. Management is also aware that material uncertainties exist, related to current economic conditions, which cast doubt about the entity's ability to continue to finance its activities.

NEWLY ADOPTED ACCOUNTING POLICIES AND FUTURE ACCOUNTING POLICIES

Please refer to Note 2 of the audited consolidated financial statements for the years ended March 31, 2020 posted on www.sedar.com.

CAPITAL COMMITMENTS

The Company has no commitments for equipment expenditures for fiscal 2021. The Company has forecasted that any property and equipment expenditures based on future needs will be funded from working capital and/or from operating or capital leases.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

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

Critical judgments

The preparation of our consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the financial statements, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary has been determined to be the Canadian dollar.

Key sources of estimation uncertainty

Significant estimates made by management affecting our consolidated financial statements include:

Deferred tax assets & liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Recoverability of exploration & evaluation assets

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

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SHARES AND SHARE-BASED UNITS

The Company has the following common shares, stock options, and share purchase warrants outstanding as at July 29, 2020:

Common shares:	-	84,196,472
Escrow shares:	-	6,673,698
Stock Options:	-	4,770,000
Warrants:	-	38,356,319

RISKS AND UNCERTAINTIES

The Company’s principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, fluctuating metal prices, social, political, financial and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable.

The risks and uncertainties are considered by management to be the most important in the context of the Company’s business. The risks and uncertainties are not limited to but include risks associated with our dependence on the Golden Anvil Project in Mexico are: geological exploration and development; changes in law; continued negative operating cash flow and the availability of additional funding as and when required; infrastructure; inflation; governmental regulation; environmental; hazards, insurance; uninsured risks; competition; currency fluctuations; labour and employment; joint ventures; contract repudiation; dependence on key management personnel and executives; and litigation risks.

Even though the Company has not registered the concessions in Mexico with the Public Registry of Mines (“PRM”), there is no risk to the Company at this time. The concessions are currently registered with the PRM under Golden Anvil and Gainey Capital has acquired an option to purchase the assets in our Asset Purchase Agreement with Golden Anvil when Gainey is certain it wants to move forward with these assets. By using this strategy, the Company eliminates any risk that may arise with respect to the properties prior to completing a full due diligence on each concession.

With respect to the outstanding duties and taxes, based on regular communications between PRM and our Mexican legal counsel, once the above-noted due diligence has been completed on each of the concessions, Gainey has the option to pay the outstanding amounts and move forward with exploring the concessions.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains “forward-looking information” (also referred to as “forward-looking statements”) within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management’s current expectations and plans and allowing investors and others to get a better understanding of the Company’s operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company’s actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: regulatory and permitting considerations, financing of the Company’s acquisitions and other activities, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information as well as other risks and uncertainties referenced under “Risks and Uncertainties” in this MD&A.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below and including those referenced in the “Risks and Uncertainties” section of this MD&A, and, as a result they may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company’s results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future

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events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- financing, capitalization and liquidity risks;
- mineral exploitation and exploration program cost estimates;
- the nature and impact of drill results and future exploration;
- regulatory risks relating to mineral tenure, permitting, environmental protection, taxation, and royalties;
- volatility of currency exchange rates, metal prices and metal production;
- other factors referenced under “Risks and Uncertainties”; and
- other risks normally incident to the acquisition, exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company’s affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company’s website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company’s disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company’s filings with Canadian securities regulatory agencies, which can be viewed online at www.sedar.com.