

GAINEY CAPITAL CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended March 31, 2017 and 2016

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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, 2017 and should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto for the year ended March 31, 2017, which are available on SEDAR at www.sedar.com. This MD&A is current as at July 27, 2017, the date of preparation.

The March 31, 2017 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

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.

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 21, 2011, the Company announced the signing of a letter of intent with Golden Anvil S.A. de C.V. ("Golden Anvil"), a Mexican-incorporated entity as the Company's Qualifying Transaction. On October 4, 2012, the Company entered into a definitive asset purchase agreement with Golden Anvil, amended on June 3, 2013 (the "Amended Agreement") pursuant to which the Company would acquire certain assets comprising certain mineral concessions located in the western portion of the Sierra Madre Occidental mountain range (the "El Colomo concessions"), and a concentration plant and associated equipment located in Huajicori, Nayarit, Mexico (the "Assets").

On October 2, 2013, the Company completed its Qualifying Transaction in accordance with Policy 2.4 of the Exchange with the acquisition of the Assets pursuant to the Amended Agreement. Consideration paid by the Company to acquire the Assets was as follows:

- Issued 12,000,000 common shares in the capital of the Company to Golden Anvil nominees (the "Consideration Shares"). The Consideration Shares were valued at \$0.50 per common share for an aggregate value of \$6,000,000, which was capitalized as exploration and evaluation assets during the period; and
- Issued a special warrant of the Company to Golden Anvil. The special warrant is 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 three million common shares. No value has been attributed to the special warrant on the consolidated financial statements.

The Consideration Shares and special warrant issued are subject to surplus escrow agreements pursuant to Exchange policy, and to an additional 100% lock-up agreement that expires on the first anniversary of completion of the Qualifying Transaction. The Consideration Shares and any shares issued on the conversion of the special warrant were released in various tranches as more specifically described in the notes to the financial statements.

**GAINEY CAPITAL CORP.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

The Company also issued 665,000 common shares to Avonlea Ventures Inc. (“Avonlea”), an arm’s length party, as a finder’s fee with respect to the acquisition of the Assets. The common shares were valued at \$0.50 per common share for an aggregate value of \$332,500, which was capitalized as exploration and evaluation assets during the period. The Avonlea shares are subject to resale restrictions such that 10 percent of the shares are free of resale restrictions on the date of the final exchange bulletin and an additional 15 percent of the shares are free of resale restrictions each six-month period thereafter.

Promissory Note

In connection with the acquisition of the Assets, the Company has received a signed Promissory Note (the “Note”) in the amount of \$266,215 from Golden Anvil. The Note reflects certain amounts paid by the Company on behalf of Golden Anvil for duties and taxes, unpaid consulting fees associated with a 43-101 Technical Report completed, 50% of certain sponsorship fees incurred as well as other expenses. These costs were paid by the Company but were incurred by Golden Anvil prior to the finalizing of the Qualifying Transaction which closed in September 2013.

The Note has an interest rate of 12% per annum compounded monthly and as of March 31, 2017, this debt, including interest and a reclassified loan receivable (per below), amounts to \$404,325 (March 31, 2016 - \$358,818). The Note is secured by 800,000 Consideration Shares (“Pledged Shares”) and personally guaranteed by Marco Antonio Rincon-Valdes (a former director of the Company – Note 11) and Francisco Rolando Rincon-Romo. Pursuant to the Note, Golden Anvil had 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. The Company had previously accounted for the costs paid in connection with the Note as part of exploration and evaluation assets, as there was uncertainty as to the collectability of the Note. Any amounts recovered from Golden Anvil will be offset against the carrying value of the Company’s exploration and evaluation assets.

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 common shares in the capital of the Company pursuant to the original 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, 2017, 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 issue the common shares and pay the general damages being remote.

During the year ended March 31, 2016, the Company reclassified a loan receivable to exploration and evaluation assets, as the Company is not certain as to the collectability of the loan. The loan was made in addition to the Note, and was associated with additional costs paid on behalf of Golden Anvil in respect of the Assets. Accordingly, by reclassifying the amount the Company is treating these amounts as part of their costs of exploration of the Assets.

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, 2017	Year Ended March 31, 2016	Year Ended March 31, 2015
Total revenue	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the year	(852,084)	(865,322)	(366,916)
Loss per share – basic and diluted	(0.02)	(0.02)	(0.01)
Total assets	8,415,449	8,769,273	9,326,477
Total liabilities	166,986	66,226	106,064

**GAINNEY CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(145,276)	(142,603)	(455,282)	(108,923)
Loss per share – basic & diluted	(0.00)	(0.00)	(0.01)	(0.00)
Total assets	\$ 8,415,449	\$ 8,499,687	\$ 8,647,601	\$ 8,664,438
Total liabilities	\$ 166,986	\$ 105,948	\$ 111,259	\$ 70,314

	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(300,223)	(157,282)	(47,042)	(360,775)
Loss per share – basic & diluted	(0.00)	(0.00)	(0.00)	(0.01)
Total assets	\$ 8,769,273	\$ 9,023,010	\$ 9,195,010	\$ 9,216,835
Total liabilities	\$ 66,226	\$ 48,765	\$ 67,244	\$ 41,997

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.

RESULTS OF OPERATIONS

For the three-month periods ended March 31, 2017 and 2016

Financial Results

For the three months ended March 31, 2017, the Company incurred a net loss of \$145,276 compared to a net loss of \$300,223 for the three months ended March 31, 2016. Increases were realized in accounting & audit fees, shareholder & investor relations costs, regulatory fees, and office expenses.

During the three month ended March 31, 2017, the Company limited its activities due to a lack of funds and is focused on raising funds to further its exploration program on the El Colomo Property in Mexico.

**GAINNEY CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

For the years ended March 31, 2017 and 2016

For the years ended March 31, 2017, the Company incurred a net loss of \$852,084 compared to a net loss of \$865,322 for the year ended March 31, 2016. Increases were realized in accounting and audit fees, office expenses, shareholder & investor relations costs, and regulatory fees. The Company also recorded \$303,800 (\$27,900 was capitalized to property costs) in stock-based compensation during the year for the September 8th option grant whereas \$248,935 was recorded in 2016.

The Company realized a gain on foreign exchange of \$2,427 (2016 - \$2,692) and incurred \$492,303 (2016 - \$492,676) in exploration costs on its Mexican property during the period. A portion of these costs were for the capitalization of share-based compensation in the amount of \$27,900 (2016 - \$99,022) for options granted to employees and consultants working on the El Colomo Property in Mexico.

The Company extended the expiry date from May 23, 2016 to May 23, 2018 for 14,367,500 share purchase warrants. The warrants, each of which is currently exercisable to purchase one common share of the Company at \$0.30 per share, were originally issued by the Company as part of non-brokered private placement unit financing completed in May 2014. 885,400 brokers' warrants expired unexercised.

On July 26, 2016, the Company announced the addition of David Hladky, P. Geo to its Technical Advisory Board. Mr. Hladky is a bilingual, registered Professional Geologist with over 18 years of international minerals exploration experience.

On August 26, 2016, the Company announced the appointment of Mr. Barry Lee to the Board of Directors. Mr. Lee is a co-founder of Gainey and was an original member of the Company's board until 2014 and has over 22 years of board and senior management experience. Mr. Lee has returned to the Board to replace Mr. Lawrence Segerstom who has resigned.

On September 8, 2016, the Company announced that the Phase 1 Drill program completed the first three diamond drill holes at the El Colomo Gold-Silver Project in Mexico. See the September 29, 2016 news release for assay results. On October 4, 2016, the Company announced results from the second and third holes of the Company's Phase 1 Drilling program. On October 13, 2016, the Company announced results from three additional holes at the La Higuera gold-silver mineralized zone located in the Sierra Madre Occidental Trend in Western Mexico.

LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES

At March 31, 2017, the Company had a cash balance of \$8,604 (March 31, 2016 - \$773,663) to settle current liabilities of \$166,986 (March 31, 2016 - \$66,226). 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, 2017, the Company's cash and cash equivalents decreased by \$765,059 to \$8,604 from \$773,663 due to cash used in general and administrative of \$338,559 (2016 - \$564,120), cash used in investing activities of \$492,300 (2016 - \$492,676) for deferred exploration costs on the Company's exploration and evaluation assets.

During the year ended March 31, 2017, cash flow from financing activities of \$65,800 (2016 - \$Nil) was from the exercise of 658,000 options at \$0.10 per option.

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.

**GAINNEY CAPITAL CORP.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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 year ended March 31, 2017 and 2016 is as follows:

	Years Ended	
	March 31, 2017	March 31, 2016
Compensation paid to David Coburn, Chief Executive Officer (“CEO”)	\$ 157,897	\$ 158,060
Compensation paid to Michele Pillon, Chief Financial Officer (“CFO”)	30,000	30,000
Share-based payments	93,601	75,735
	<u>\$ 281,498</u>	<u>\$ 263,795</u>

Related party balances

As at March 31, 2017, a total of \$51,885 (March 31, 2016 - \$86,415) has been advanced to the CEO of the Company for future exploration and travel expenses. The amount is non-interest bearing and unsecured, and has no stated terms of repayment.

As at March 31, 2017, a total of \$15,632 (March 31, 2016 - \$Nil) is owing to the CFO of the Company.

See Note 7 of the financial statements for details in regards to a Promissory Note with Golden Anvil, a company with a director in common with a former director of the Company.

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

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

As at March 31, 2017 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 cash equivalents 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, 2017, the Company’s exposure to credit risk is minimal.

**GAINEY CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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, 2017, the Company had a working capital deficiency of \$52,709 (March 31, 2016 – Working capital of \$867,873). 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, 2017, the Company does not have adequate working capital to discharge its existing financial obligations and will need to acquire additional funding in order to meet its current obligations. At March 31, 2017, the Company had a cash balance of \$8,604 (March 31, 2016 - \$773,663) to settle current liabilities of \$166,986 (March 31, 2016 - \$66,226).

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, 2017, 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.

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, 2017, has an aggregate operating deficit totaling \$3,290,578 (March 31, 2016 - \$2,438,494). 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 4 and 5 of the consolidated financial statements for the years ended March 31, 2017 posted on www.sedar.com.

CAPITAL COMMITMENTS

The Company has no commitments for equipment expenditures for fiscal 2017. 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.

**GAINEY CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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:

Share based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share based payment expense for the year along with the assumptions and model used for estimating fair value for share based compensation transactions.

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.

SHARES AND SHARE-BASED UNITS

The Company has the following common shares, stock options, and share purchase warrants outstanding as at July 27, 2017:

Common shares:	-	44,455,954
Escrow shares:	-	7,633,698
Stock Options:	-	4,445,000
Warrants:	-	14,367,500

**GAINEY CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company's plans or future financial or operating performance, the estimation of mineral reserves and resources, conclusions of economic assessments of projects, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters.

The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The statements reflect the current beliefs of management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; risks related to general economic conditions and credit availability, uncertainty related to the resolution of legal disputes and lawsuits; actual results of current exploration activities, unanticipated reclamation expenses; fluctuations in prices of precious metals; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in mineral resources, grade or recovery rates; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Company operates.

The Company's management reviews periodically information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

Other information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.