GAINEY CAPITAL CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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 September 30, 2018 and 2017, 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)
(Unaudited)

AS AT

	SEPTEMBER 30, 2018	MARCH 31, 2018
ASSETS		
Current		
Cash and cash equivalents	$ 240,615	$ 583,259
Restricted cash (Note 10)	46,000	46,000
Receivables	4,383	6,676
Due from related party (Note 8)	63,591	79,582
Prepaid expenses	2,083	7,083
	356,672	722,600
Plant and equipment (Note 3)	346,658	332,024
Exploration and evaluation assets (Note 4)	1,946,229	1,807,565
	$ 2,649,559	$ 2,862,189
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 103,038	$ 72,825
Due to related party (Note 8)	2,625	10,500
	105,663	83,325
Shareholders' equity		
Share capital (Note 6)	12,120,685	12,113,485
Share subscriptions received	-	7,200
Share subscriptions receivable (Note 6)	(172,400)	(190,700)
Reserves	1,088,782	1,088,782
Deficit	(10,493,171)	(10,239,903)
	2,543,896	2,778,864
	$ 2,649,559	$ 2,862,189

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

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 September 30, 2018	Three months ended September 30, 2017	**Six months ended September 30, 2018**	Six months ended September 30, 2017
EXPENSES				
Accounting and audit	$ **29,120**	$ 10,199	$ **36,620**	$ 17,699
Amortization	**16,835**	19,703	**33,669**	39,406
Consulting fees	**650**	1,800	**650**	1,800
Legal	**13,654**	2,984	**11,594**	7,142
Management fees	**39,335**	37,577	**78,145**	77,926
Office	**7,131**	3,316	**17,750**	6,735
Shareholder & investor relations	**9,877**	32,200	**19,840**	45,783
Transfer agent and regulatory fees	**9,350**	9,855	**17,415**	11,797
Travel	**12,671**	-	**37,752**	-
	(138,623)	(117,634)	**(253,435)**	(208,288)
OTHER INCOME				
Foreign exchange (loss) / gain	**(730)**	(123)	**167**	(177)
	(730)	(123)	**167**	(177)
Loss and comprehensive loss for the period	$ **(139,353)**	$ (117,757)	$ **(253,268)**	$ (208,465)
Loss per common share – basic and diluted	$ **(0.00)**	$ (0.00)	$ **(0.00)**	$ (0.00)
Weighted average number of common shares outstanding:				
Basic and diluted	**58,678,940**	48,708,086	**58,673,038**	46,593,638

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

GAINEY CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 and 2017

		Share Capital					
	Number of Shares	**Amount**	**Share subscriptions received**	**Share subscriptions receivable**	**Reserves**	**Deficit**	**Total**
Balance – March 31, 2017	44,455,954	$ 10,470,459	$ -	$ -	$ 1,068,582	$ (3,290,578)	$ 8,248,463
Shares issued for private placement	10,030,670	1,027,400	-	-	-	-	1,027,400
Share issue costs	-	(30,000)	-	-	-	-	(30,000)
Share subscriptions received	-	321,776	-	-	-	-	321,776
Loss for the period	-	-	-	-	-	(208,465)	(208,465)
Balance – September 30, 2017	**54,486,624**	**$ 11,789,635**	**-**	**-**	**$ 1,068,582**	**$ (3,499,043)**	**$ 9,359,174**
Balance – March 31, 2018	58,618,940	12,113,485	7,200	(190,700)	1,088,782	(10,239,903)	2,778,864
Shares issued for private placement	60,000	7,200	(7,200)	-	-	-	-
Share subscriptions received	-	-	-	18,300	-	-	18,300
Loss for the period	-	-	-	-	-	(253,268)	(253,268)
Balance – September 30, 2018	**58,678,940**	**$ 12,120,685**	**$ -**	**$ (172,400)**	**$ 1,088,782**	**$ (10,493,171)**	**$ 2,543,896**

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

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

CASH PROVIDED BY (USED IN):	**Three months ended September 30, 2018**	Three months ended September 30, 2017	**Six months ended September 30, 2018**	Six months ended September 30, 2017
Cash flows from operating activities:				
Loss for the period	$ **(139,353)**	$ (117,757)	$ **(253,268)**	$ (208,465)
Non-cash items:				
Amortization	**16,835**	19,703	**33,669**	39,406
Changes in non-cash working capital:				
GST receivable	**2,845**	(2,539)	**2,293**	(3,207)
Accounts receivable	**7,188**	1,870	**15,991**	51,885
Prepaid expense	**2,500**	2,500	**5,000**	5,000
Trade and other payables	**4,618**	166,351	**22,338**	193,240
	(105,367)	70,128	**(173,977)**	77,859
Cash flows from investing activities:				
Exploration advances	**-**	(27,000)	**-**	(13,500)
Expenditures on resource properties	**(76,258)**	(185,151)	**(138,664)**	(203,840)
Purchase of Property, Plant & Equipment	**(10,000)**	-	**(48,303)**	-
	(86,258)	(212,151)	**(186,967)**	(217,340)
Cash flows from financing activities:				
Shares issued for cash (net)	**-**	997,400	**-**	997,400
Share subscriptions received	**-**	321,776	**18,300**	321,776
	-	1,319,176	**18,300**	1,319,176
Increase (decrease) in cash	**(191,625)**	1,177,153	**(342,644)**	1,179,695
Cash – beginning of period	**432,240**	11,146	**583,259**	8,604
Cash – end of period	$ **240,615**	$ 1,188,299	$ **240,615**	$ 1,188,299

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

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 501–595 Howe Street, Vancouver, BC, Canada V6C 2T5.

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 $253,268 for the six months ended September 30, 2018, an accumulated deficit of $10,493,171, which has been funded primarily by the issuance of equity, and working capital of $251,009 (March 31, 2018 - $639,275). 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 PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. As a result, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated annual financial statements for the year ended March 31, 2018. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 2 to the audited consolidated annual financial statements for the year ended March 31, 2018, except for the adoption of new standards and interpretations as of January 1, 2018 described below.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 29, 2018.

b) Basis of Consolidation

The consolidated financial statements include, on a consolidated basis, the assets, liabilities, revenues and expenses of the Company and its wholly-owned subsidiaries, Gainey Mexico, S.A. de C.V. and Minera Buena Fortuna, S.A. de C.V., which were incorporated in Mexico and will be carrying out the exploration activities and ore processing 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.

2. BASIS OF PRESENTATION (cont'd)

c) Changes in and future accounting standards

New accounting standards adopted effective January 1, 2018:

IFRS 9 Financial Instruments

IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The application of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company's financial assets or liabilities on the date of transition.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15, "Revenue from Contracts and Customers" effective for January 1, 2018. The adoption of this standard did not have any impact on the Company's condensed consolidated interim financial statements as the Company does not have any significant amounts of revenue.

Accounting standards issued but not yet effective

Standards issued, but not effective, up to the date of issuance of the Company's condensed consolidated interim financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applies at a future date. The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements and are not expected to have a material effect on the Company's future results and financial position:

New accounting standards effective for annual periods on or after January 1, 2019:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify lease as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23, Uncertainty over Income Tax Treatments, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019.

(Expressed in Canadian Dollars)

3. PLANT AND EQUIPMENT

	Processing plant and equipment	Mining equipment	Transportation equipment	Total
Cost				
Balance, March 31, 2018	**$ 612,354**	**$ 25,100**	**$ 31,269**	**$ 668,723**
Additions	48,303	-	-	48,303
Balance, September 30, 2018	**$ 660,657**	**$ 25,100**	**$ 31,269**	**$ 717,026**
Accumulated amortization				
Balance, March 31, 2018	**$ (302,336)**	**$ (12,435)**	**$ (21,927)**	**$ (336,698)**
Amortization	(31,002)	(1,267)	(1,401)	(33,670)
Balance, September 30, 2018	**333,338**	**13,702**	**23,328**	**370,368**
Net book value, September 30, 2017	$ 322,386	$ 14,247	$ 11,344	$ 347,977
Net book value, September 30, 2018	**$ 327,319**	**$ 11,398**	**$ 7,941**	**$ 346,658**

4. EXPLORATION AND EVALUATION ASSETS

		El Colomo Property	Las Margaritas Property	TOTAL
Acquisition costs:				
Beginning balance: March 31, 2018	$	161,397	-	161,397
Cash payments		-	32,375	32,375
Acquisition costs – September 30, 2018		**161,397**	**32,375**	**193,772**
Exploration costs - Beginning balance:	$	**1,646,168**	**-**	**1,646,168**
Deferred exploration costs:				
Assaying		1,115	-	1,115
Duties and taxes payable		35,645	5,569	41,214
Field expenses		-	4,000	4,000
Geological consulting		25,199	29,572	54,771
Legal fees		1,235	-	1,235
Travel		3,954	-	3,954
Total deferred exploration costs:		67,148	39,141	106,289
Cumulative exploration costs, September 30, 2018		**1,713,316**	**39,141**	**1,752,457**
Acquisition and Explorations costs	**$**	**1,874,713**	**71,516**	**1,946,229**

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

		El Colomo Property
Acquisition costs:		
Balance: March 31, 2017	$	5,743,598
Acquisition costs – September 30, 2017		5,743,598
Exploration costs - Beginning balance:	$	**2,094,320**
Deferred exploration costs:		
Consulting		655
Duties and taxes on mineral claims		139,400
Geological consulting		4,701
Legal fees		27,533
Site personnel		16,494
Travel		1,557
Total deferred exploration costs:		190,340
Cumulative exploration costs, September 30, 2017		**2,284,660**
Acquisition and Exploration costs	**$**	**8,028,258**

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").

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.

The El Colomo property was originally made up of six concessions. The Company has decided to abandon the Manos Arriba and La Chata concessions due to poor exploration results. Accordingly, capitalized exploration costs of $779,058 and acquisition costs of $5,582,201 (total of $6,361,259) were written off during the year ended March 31, 2018.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

On July 30, 2018, the Company entered into an option agreement with First Mining Gold Corp. ("First Mining") granting Gainey 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	$75,000 in Shares ($12,000 in Cash – VAT)	N/A
First anniversary date of the agreement	$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 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.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

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 and as of September 30, 2018, the Note, including interest amounts to $483,632 (2017 - $429,199). 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 no 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 September 30, 2018, 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.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	September 30, 2017
Accounts payable	$ 55,018	$ 320,226
Accrued liabilities	50,645	40,000
	$ 105,663	$ 360,226

6. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Share issuances

Six months ended September 30, 2018

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

Year ended March 31, 2018

On August 24, 2017**,** the Company closed the first tranche of a non-brokered private placement by issuing 10,030,670 units at a price of $0.12 per unit for gross proceeds of $1,203,678. Each unit is comprised of one common share and one common share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at a price of $0.24 per share for a period of 36 months.

On January 11, 2018, the Company closed the final tranche of its previously announced non-brokered private placement by issuing an additional 4,132,316 units at a price of $0.12 per unit to raise gross proceeds of $495,878.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (cont'd)

Of the gross proceeds for the private placement of $1,699,556, $1,363,856 was received in cash and $145,000 was applied against accounts payable owing to the subscribers, of which $100,000 was owing the Chief Executive Officer of the Company. A further $190,700 of subscription proceeds are receivable at March 31, 2018 and to date, $18,300 has been received. Two share certificates, with a subscription value of $170,000, are being held by the Company and the Company is attempting to cancel them.

With respect to finders' fees, the Company paid an aggregate of $30,000 in cash and issued 250,000 finders warrants at a value of $20,200. The finders' warrants were valued using the Black-Scholes option pricing model with risk-free rate of 1.26%, expected life of two years, expected volatility of 100%, and dividend yield of 0%. The 250,000 finders' warrants are exercisable at a price of $0.16 per share for a period of 24 months.

Year ended March 31, 2017

There were 658,000 shares issued for exercise of options at $0.10 per option for gross proceeds of $65,800.

Shares held in escrow

Included in the shares outstanding at September 30, 2018 are 7,633,698 (2017 – 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 years ended March 31, 2018 and 2017, certain escrow releases were not completed pursuant to escrow agreements because of non-payment issues regarding the Note with Golden Anvil (Note 7).

A special warrant (as described in Note 7) exercisable for up to 3,000,000 common shares of the Company is also held in escrow.

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, March 31, 2017	14,367,500	$ 0.29	0.15
Granted	14,412,986	0.30	2.40
Balance, March 31, 2018	28,780,486	$ 0.27	1.27
Expired/Cancelled	(15,724,167)	0.30	
Balance, September 30, 2018	13,056,319	$ 0.24	2.10

(Expressed in Canadian Dollars)

7. 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 an amount 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, 2017	4,445,000	0.22
Cancelled	(220,000)	0.25
Balance, March 31, 2018 and September 30, 2018	**4,225,000**	**$ 0.22**

The following stock options were outstanding and exercisable at September 30, 2018:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Expiry Date
1,850,000	1,850,000	$ 0.25	June 1, 2020
2,375,000	2,375,000	0.20	September 8, 2021
4,225,000	4,225,000	$ 0.22	

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. The Company uses the Black-Scholes option pricing model for valuing stock options.

8. 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 six months ended September 30, 2018 and 2017 is as follows:

	Six months ended	
	September 30, 2018	**September 30, 2017**
Management fees paid/accrued to the CEO	$ 78,145	$ 77,926
Accounting fees paid/accrued to the CFO	15,000	15,000
Compensation paid/accrued to the VP of Exploration	23,125	-
	$ 116,270	$ 92,926

Related party balances

As at September 30, 2018, a total of $63,591 (2017 – $117,614) has been advanced to the CEO of the Company for future exploration and travel expenses; and $2,625 (2017 - $31,500) is owing to the CFO of the Company.

9. 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 six months ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

10. 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 September 30, 2018, the carrying values of the Company's accounts payable and accrued liabilities 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 and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of bank accounts and GIC investments 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 September 30, 2018 and 2017. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. Accordingly, as at September 30, 2018, the Company's exposure to credit risk is minimal.

10. FINANCIAL RISK MANAGEMENT (cont'd)

Financial Risks (cont'd)

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 September 30, 2018, the Company had a cash balance of $240,615 (March 31, 2018 - $583,259) to settle current liabilities of $105,663 (March 31, 2018 - $83,325). 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.

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 September 30, 2018, 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.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Mexico. As at September 30, 2018, all of the Company's exploration and evaluation assets and plant and equipment are located in Mexico.

12. SUBSEQUENT EVENT

On November 27, 2018, the Company announced that it has arranged a non-brokered private placement of up to 23,000,000 Units (the "Units") in the capital of the Company at a price of C$0.05 per Unit for gross proceeds of up to C$1,150,000 (the "Offering"). Each Unit will consist of one common share and one non-transferable common share purchase warrant (a "Warrant") exercisable at C$0.10 to purchase an additional common share for a period of 48 months from closing. Closing is expected to occur on or before December 15, 2018.

The net proceeds of the Offering will be used to advance exploration activities at the Company's Las Margaritas property located in the State of Durango, Mexico, as well as for general working capital. Finder's fees may be paid on the Offering pursuant to the policies of the TSX Venture Exchange.