

**GAINEY CAPITAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Years Ended March 31, 2018 and 2017**  
**Amended and Restated September 6, 2018**

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*This Management Discussion and Analysis ("MD&A") of Gainney Capital Corp. (the "Company") provides analysis of the Company's financial results for the years ended March 31, 2018 and should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto for the year ended March 31, 2018, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is current as at September 6, 2018, the date of preparation.*

*The March 31, 2018 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**

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

**Current Operations**

On October 15, 2017, the Company announced that it commenced its Phase II exploration program at the El Colomo Gold-Silver project ("El Colomo") in the States of Nayarit and Durango, Mexico. The Phase II program will be divided into four stages, as follows:

**Stage 1** - Detailed mapping program along the known Golden Corridor, paying particular focus on the El Arrayan, Las Minitas, La Bufa and El Guayabo mineralized zones, located 1.2 km to the south-southeast of the La Nueva Victoria and La Higuierita mineralized zones which have been drill tested by Gainney and have encountered gold and silver mineralization.

**Stage 2** - Detailed mapping and rock chip sampling to the north of El Colomo's Golden Corridor where four anomalous gold showings have been identified through the Company's stream sediment sampling program. Highlights from this program include anomalous gold values of 129 ppb ("parts per billion"), 115 ppb, 74 and 75 ppb.

These results were encountered in the State of Durango in an area 1.5 km wide by 2.5 km long of strongly argillically-altered and iron-stained volcanic rocks cut by multiple northwest-trending quartz veins. These altered areas, called Las Lajitas-Masparillo, El Verano-Los Aguacates y El Corpo-Encino Prieto, appear to be on-strike with, and may be an extension of, a 2.5 to 4 km to the Northwest of the mineralized called the Golden Corridor which includes the La Nueva Victoria, La Higuierita, El Arrayan-Las Minitas and La Bufa-El Guayabo mineralized zones.

**Stage 3** - Stream sediment sampling to the west-northwest of the known Golden Corridor where the Company has completed exploration work on more than 3,000 hectares including mapping, sampling, and drilling.

**Stage 4** - Drilling program of approximately 3,000 m testing the targets at El Arrayan-Las Minitas and La Bufa-El Guayabo mineralized zones.

During the current period, the Company announced the completion of the mapping and sampling portion of the Phase II exploration program at the El Colomo Gold-Silver project ("El Colomo") located in the States of Nayarit and Durango, Mexico. Fieldwork was finalized in early November, and assay results have now been received. Results will be released once they have been assembled and reviewed in conjunction with prior exploration work. In addition to advancing the El Colomo project, the company has also been actively reviewing projects located throughout western Mexico with the goal of acquiring additional properties to add to the company's exploration pipeline. Projects are being considered on the basis of exploration potential and acquisition costs to minimize risk to capital while ensuring a reasonable probability of identifying an economic deposit.

The following is a summary of the Company's use of proceeds from the 2017 private placement as at March 31, 2018:

Cash balance, March 31, 2017	\$ 8,604
Net proceeds from 2018YE financing	1,334,726
Exploration and evaluation assets expenditures	(371,676)
Property plant and equipment expenditures	(23,452)
General corporate activities	(364,943)
Cash balance, March 31, 2018	<u>\$ 583,259</u>

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**Concessions**

The El Colomo Property is made up of six claims for a total of 18,018.2382 hectares. Gainey Capital has been assigned the rights to explore the but 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.

Not having the claims registered in Gainey Capital's name protects the Company against potential lawsuits, hidden liabilities, and other similar problems while maintaining the ongoing ability to do exploration work.

As per the Qualifying transaction and the notarized Buy/Sell Agreement, Minera Buena Fortuna, S.A. de C.V., the Company's wholly-owned subsidiary, has legal authorization to transfer the concessions into its name and the right to do exploration work on the property as well as maintaining the legal rights to the minerals associated with the concessions if any are found.

The approximate total back taxes due for each claim up through the second semester of 2018 (due date - July 2018) is as follows:

Claim Name	Surface Area (Has.)	Approx. Total Taxes Due Through 2nd Quarter 2018 (July 2018)		Exploration expenditures to date
		Mexican Pesos	Canadian funds	Canadian funds
La Bufa	14.7669	\$4,900	\$335	\$65,616
El Arrayan	50.0	\$25,000	\$1,710	\$188,755
La Nueva Victoria	59.0	\$62,000	\$4,200	\$876,690
Filomeno	403.2535	\$430,000	\$29,400	\$171,175

With respect to the Manos Arriba claim (4,748 Has) (expenditures to date are \$389,529), the Company has determined that no taxes will be paid and the claims will be dropped due to poor exploration results.

With respect to the La Chata claims, the VP of Exploration has recommended dropping these claims as well also due to no significant mineralized zone having been identified on this claim.

The VP of Exploration has recommended paying the back taxes on the remaining claims (La Bufa, El Arrayan, La Nueva Victoria, and Filomeno) as they cover all of the core targets at El Colomo and are critical to maintaining this property.

**Exploration and Evaluation Assets**

	March 31, 2018	March 31, 2017
Acquisition Costs	\$ 161,397	\$ 5,743,598
Deferred Exploration Costs	1,646,168	2,094,320
	<b>\$ 1,808,565</b>	<b>\$ 7,837,918</b>

For a comprehensive breakdown of exploration and evaluation costs, please refer to Note 7 of the audited consolidated statements for the year ended March 31, 2018.

**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 and as of March 31, 2018, the Note, including interest amounts to \$455,603 (2017 - \$404,325). 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, 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.

**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.

	<b>Year Ended March 31, 2018</b>	<b>Year Ended March 31, 2017</b>	<b>Year Ended March 31, 2016</b>
Total revenue	\$ Nil	\$ Nil	\$ Nil
Loss and comprehensive loss for the year	(6,949,325)	(852,084)	(865,322)
Loss per share – basic and diluted	(0.13)	(0.02)	(0.02)
Total assets	2,862,189	8,415,449	8,769,273
Total liabilities	83,325	166,986	66,226

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, 2018, 2017 and 2016 is comprised mainly of general and administrative expenses. The reported net loss for 2018 includes the write down of acquisition costs of \$5,582,201 and exploration costs of \$779,058 on its exploration and evaluation assets with respect to the El Colomo properties, namely the Manos Arriba and La Chata concessions.

The Company’s recorded loss for 2017 and 2016 includes share-based compensation expense of \$303,800, and \$248,935, respectively, whereas no share-based compensation expenses were incurred in 2018. The Company reduced its expenditures on travel and shareholder and investor relations during the years ended March 31, 2017 and 2016 compared to the amounts incurred during the year ended March 31, 2018.

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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, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Loss for the period	(6,667,696)	(92,869)	(98,054)	(90,706)
Loss per share – basic & diluted	(0.13)	(0.00)	(0.00)	(0.00)
Total assets	\$ 2,862,189	\$ 9,458,463	\$ 9,758,806	\$ 8,351,631
Total liabilities	\$ 83,325	\$ 137,203	\$ 360,226	\$ 193,574

  

	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

During the year ended March 31, 2018, the Company wrote down a total of \$6,361,259 in acquisition and exploration costs on its El Colomo properties due to less than satisfactory exploration results.

During the three months ended September 30, 2016, the Company recorded \$303,800 in shared based compensation resulting in a higher loss over the other quarters presented in the table above. For the three months ended March 31, 2016, the Company recorded amortization of \$31,682 and \$21,335 for share-based compensation. 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, 2018 and 2017**

For the three months ended March 31, 2018, the Company incurred a net loss of \$6,667,696 compared to a net loss of \$145,276 for the three months ended March 31, 2017. During the current three-month period, the Company wrote off \$5,582,201 in acquisition costs and \$779,058 in exploration costs associated with the La Chata and Manos Arriba. The Company has decided to abandon these two concessions due to poor exploration results.

During the current three-month period, the Company realized an increase in consulting fees of \$6,723 (2017 - \$Nil) to companies for marketing; office expenses increased slightly during the current three-month period due to an increase in bank charges, courier fees and general office expenses; shareholder and investor relations increased during the current three-month period over the prior three-month period due to the engagement of an investor relations firm; and legal fees decreased during the period due to the reduction of activity in the Arbitration between the Company and Marco Rincon-Valdes.

During the three-month period ended March 31, 2018, the Company incurred \$27,643 (2017 - \$67,211) in exploration costs on its El Colomo property in Mexico, the majority of these costs were for site personnel, assaying, and geological fees.

**For the years ended March 31, 2018 and 2017**

For the year ended March 31, 2018, the Company incurred a net loss of \$6,949,325 compared to a net loss of \$852,084 for the prior year ended March 31, 2017. During the current year, the Company wrote off \$5,582,201 in acquisition costs and \$779,058 in exploration costs associated with the La Chata and Manos Arriba. The Company has decided to abandon these two concessions due to poor exploration results.

Decreases were realized in legal fees as there has been no activity with the Arbitration between Marco Rincon-Valdes and the Company; office expenses and regulatory fees decreased as well due to lower activity levels.

During the current year, the Company incurred \$330,906 (2017 - \$597,251) in exploration costs on its El Colomo property in Mexico and incurred \$23,452 (2017 - \$Nil) in repairs and maintenance costs on its processing plant. The majority of the exploration costs were for duties and taxes on the mineral claims, site personnel, geological fees, and legal fees.

During the prior year, the Company granted stock options and recorded \$303,800 in share-based payments whereas no options were granted during the current year ended March 31, 2018.

On May 17, 2017, the Company announced the addition of Mr. Mark Bailey to its Advisory Board. Mr. Bailey holds a Master's degree in geology and is a registered professional geologist with over 40 years of experience.

On August 24, 2017, the Company closed the first tranche of a 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.

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.

On December 13, 2017, the Company announced that a project review was completed by Mr. Brian Metzenheim, Gainey's recently appointed VP of Exploration.

On December 19, 2017, the Company announced that it had entered into a non-binding Letter of Intent ("LOI") with Asteria Mining Services, S.A.P.I. de CV of Mazatlán, Sinaloa ("AMS") to acquire 100% of the La Minita Copper /Gold/Silver Property ("La Minita" or "the Property") located in the state of Sinaloa, Mexico. The Property is comprised of five mineral claims or applications encompassing approximately 9,200 hectares located 80 kilometers to the southeast of Mazatlán. The Property borders Marlin Gold's La Trinidad mine property to the northeast and Agnico Eagle's El Coral property to the southeast. Furthermore, on February 28, 2018, the Company announced that in light of other opportunities presented, the company elected to not move forward with the La Minita property located in Sinaloa, Mexico.

### **LIQUIDITY, FINANCINGS AND CAPITAL RESOURCES**

At March 31, 2018, the Company had a cash balance of \$583,259 (2017 - \$8,604) to settle current liabilities of \$83,325 (2017 - \$166,986). 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, 2018, the Company's cash and cash equivalents increased by \$574,655 to \$583,259 from \$8,604. Cash used in investing activities was \$354,358 (2017 - \$492,300) for deferred exploration costs on the Company's exploration and evaluation assets. The Company received net proceeds of \$1,459,526 (2017 - \$Nil) through a private placement.

At March 31, 2018, the Company held cash and cash equivalents of \$583,259, had working capital of \$639,275, has not yet achieved profitable operations, has commitments due in the coming fiscal year, and had an accumulated deficit of \$10,239,903 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.

With respect to the duties and taxes on the remaining concessions, since the Company has not taken title to these concessions as yet, there is no liability to record at this time which limits any risks if payment is not made. The Company will continue to evaluate the remaining concessions and will not assume any duty and tax liabilities until it has determined whether or not the properties should be further explored or abandoned.

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.

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.

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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, 2018 and 2017 is as follows:

	Years Ended	
	March 31, 2018	March 31, 2017
Management fees paid to the CEO	\$ 154,305	\$ 157,897
Accounting fees paid to the CFO	30,000	30,000
Compensation paid to Brian Metzenheim, VP of Exploration	4,257	-
Share-based payments	-	93,601
	<u>\$ 188,562</u>	<u>\$ 281,498</u>

*Related party balances*

As at March 31, 2018, a total of \$79,582 (2017 – \$51,885) has been advanced to the CEO of the Company for future exploration and travel expenses and \$10,500 (2017 - \$15,632) is owing to the CFO of the Company. The amount is non-interest bearing and unsecured and has no stated terms of repayment.

See Note 7 for details in regards to a Promissory Note with Golden Anvil, a company with a director, Mr. Marco Antonio Rincon-Valdes, who was a former director of the Company.

**SUBSEQUENT EVENTS**

On April 19, 2018, 60,000 shares were issued at a price of \$0.12 per share for proceeds of \$7,200 which had been received as at March 31, 2018.

**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, 2018 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, 2018, 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, 2018, the Company had working capital of \$639,275 (2017 - Deficiency of \$52,709). 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, 2018, the Company has adequate working capital to discharge its existing financial obligations. At March 31, 2018, the Company had a cash balance of \$583,259 (2017 - \$8,604) to settle current liabilities of \$83,325 (2017 - \$166,986).

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, 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.

### *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.

### *Due diligence*

The Company has been working continuously on its due diligence and expects to have it completed during fiscal 2019. The land package covers a large area with some extreme geological challenges which has made for slow progress.

## **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, 2018, has an aggregate operating deficit totaling \$10,239,903 (March 31, 2017 - \$3,290,578). 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 year ended March 31, 2018 posted on [www.sedar.com](http://www.sedar.com).

## **CAPITAL COMMITMENTS**

The Company has no commitments for equipment expenditures for fiscal 2019. 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:

#### *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 31, 2018:

<b>Common shares:</b>	-	58,678,940
<b>Escrow shares:</b>	-	7,633,698 (included in common shares above)
<b>Stock Options:</b>	-	4,225,000
<b>Warrants:</b>	-	28,780,486

**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.

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.

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 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](http://www.sedar.com).