

GAINEY CAPITAL CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019	MARCH 31, 2019
ASSETS		
Current		
Cash and cash equivalents	\$ 269,126	\$ 992,841
Restricted cash (Note 10)	46,000	46,000
Receivables	19,267	6,880
Due from related party (Note 8)	55,000	-
Prepaid expenses	3,642	10,667
	393,035	1,056,388
Plant and equipment (Note 3)	237,890	264,685
Exploration Advances	145,667	-
Exploration and evaluation assets (Note 4)	2,268,443	1,999,036
	\$ 3,045,035	\$ 3,320,109
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 87,621	\$ 94,927
Due to related party (Note 8)	2,625	2,137
Shares subscriptions returnable	2,550	52,550
	92,796	149,614
Shareholders' equity		
Share capital (Note 6)	13,332,970	13,257,970
Share subscriptions receivable (Note 6)	(52,400)	(52,400)
Reserves	1,207,782	1,088,782
Deficit	(11,536,113)	(11,123,857)
	2,952,239	3,170,495
	\$ 3,045,035	\$ 3,320,109

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, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
EXPENSES				
Accounting and audit	\$ 23,366	\$ 29,120	\$ 38,366	\$ 36,620
Amortization	13,398	16,835	26,795	33,669
Consulting fees	-	650	-	650
Legal	562	13,654	1,417	11,594
Management fees	39,800	39,335	80,095	78,145
Office	6,400	7,131	21,449	17,750
Share-based compensation	113,500	-	113,500	-
Shareholder & investor relations	40,402	9,877	81,977	19,840
Transfer agent and regulatory fees	5,940	9,350	9,873	17,415
Travel	137	12,671	38,373	37,752
	(243,505)	(138,623)	(411,845)	(253,435)
OTHER INCOME				
Interest earned	32	-	32	-
Foreign exchange (loss) / gain	459	(730)	(443)	167
	491	(730)	(411)	167
Loss and comprehensive loss for the period	\$ (243,014)	\$ (139,353)	\$ (412,256)	\$ (253,268)
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	84,196,472	58,678,940	84,189,819	58,673,038

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

GAINNEY CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 and 2018

	Number of Shares	Share Capital			Reserves	Deficit	Total
		Amount	Share subscriptions received	Share subscriptions receivable			
Balance – March 31, 2018	58,618,940	\$ 12,113,485	\$ 7,200	\$ 7,200	\$ 1,088,782	\$ (10,239,903)	\$ 2,778,864
Shares issued for private placement	60,000	7,200	(7,200)	(7,200)	-	-	-
Share subscriptions received	-	-	-	-	-	-	18,300
Loss for the period	-	-	-	-	-	(253,268)	(253,268)
Balance – September 30, 2018	58,678,940	\$ 12,120,685	-	-	\$ 1,088,782	\$ (10,493,171)	\$ 2,543,896
Balance – March 31, 2019	82,978,940	13,257,970	-	(52,400)	1,088,782	(11,123,857)	3,170,495
Shares issued for property	1,217,532	75,000	-	-	-	-	75,000
Share subscriptions received	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	119,000	-	119,000
Loss for the period	-	-	-	-	-	(412,256)	(412,256)
Balance – September 30, 2019	84,196,472	\$ 13,332,970	\$ -	\$ (52,400)	\$ 1,207,782	\$ (11,536,113)	\$ 2,952,239

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)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
CASH PROVIDED BY (USED IN):				
Cash flows from operating activities:				
Loss for the period	\$ (243,014)	\$ (139,353)	\$ (412,256)	\$ (253,268)
Non-cash items:				
Amortization	13,398	16,835	26,795	33,669
Share-based compensation	113,500	-	113,500	-
Changes in non-cash working capital:				
GST receivable	(11,783)	2,845	(12,387)	2,293
Accounts receivable	-	7,188	-	15,991
Prepaid expense	3,512	2,500	7,025	5,000
Trade and other payables	(10,668)	4,618	(56,818)	22,338
Due from related party	(40,000)	-	(55,000)	-
	(175,055)	(105,367)	(389,141)	(173,977)
Cash flows from investing activities:				
Exploration advances	(145,667)	-	(145,667)	-
Expenditures on resource properties	(112,736)	(76,258)	(188,907)	(138,664)
Purchase of Property, Plant & Equipment	-	(10,000)	-	(48,303)
	(258,403)	(86,258)	(334,574)	(186,967)
Cash flows from financing activities:				
Shares issued for cash (net)	-	-	-	-
Share subscriptions received	-	-	-	18,300
	-	-	-	18,300
Increase (decrease) in cash	(433,458)	(191,625)	(723,715)	(342,644)
Cash – beginning of period	702,584	432,240	992,841	583,259
Cash – end of period	\$ 269,126	\$ 240,615	\$ 269,126	\$ 240,615

Supplemental disclosure on non-cash financing activities:

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

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

GAINEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

The Company had a net loss of \$412,256 for the six months ended September 30, 2019, an accumulated deficit of \$11,536,113, which has been funded primarily by the issuance of equity, and working capital of \$300,239 (March 31, 2019 - \$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 PREPARATION

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, 2019. 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, 2019, 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, 2019.

Consolidation

The condensed consolidated interim 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 which carry out the exploration and evaluation activities in Mexico. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany transactions and balances are eliminated on consolidation.

GAINEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

2. BASIS OF PREPARATION (cont'd)

Basis of measurement

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

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.

GAINEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

3. PLANT AND EQUIPMENT

	Processing plant and equipment	Mining equipment	Transportation equipment	Total
Cost				
Balance, March 31, 2019	\$ 612,354	\$ 25,100	\$ 31,269	\$ 668,723
Additions	-	-	-	-
Balance, September 30, 2019	\$ 612,354	\$ 25,100	\$ 31,269	\$ 668,723
Accumulated amortization				
Balance, March 31, 2019	\$ (364,340)	\$ (14,968)	\$ (24,730)	\$ (404,038)
Amortization	(24,801)	(1,013)	(981)	(26,795)
Balance, September 30, 2018	(389,141)	(15,981)	(25,711)	(430,833)
Net book value, September 30, 2018	\$ 327,319	\$ 11,398	\$ 7,941	\$ 346,658
Net book value, September 30, 2019	\$ 223,213	\$ 9,119	\$ 5,558	\$ 237,890

4. EXPLORATION AND EVALUATION ASSETS

	El Colomo Property	Las Margaritas Property	Totals
Acquisition costs:			
Beginning balance: March 31, 2019	\$ 161,397	\$ 32,375	\$ 193,772
Cash payments	-	12,000	12,000
Share issue payments	-	75,000	75,000
Acquisition costs – September 30, 2019	161,397	119,375	280,772
Exploration costs - Beginning balance:			
Deferred exploration costs:	\$ 1,722,535	\$ 82,729	\$ 1,805,264
Concession taxes	-	5,806	5,806
Drilling	-	53,120	53,120
Equipment rental	-	41,077	41,077
Field expenses	-	9,372	9,372
Geological consulting	-	62,442	62,442
Share-based compensation	-	5,500	5,500
Site personnel	-	1,748	1,748
Travel	-	3,342	3,342
Total deferred exploration costs:	-	182,407	182,407
Cumulative exploration costs, September 30, 2019	1,722,535	265,136	1,987,671
Acquisition and Explorations costs	\$ 1,883,932	\$ 384,511	\$ 2,268,443

GAINEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

EL COLOMO PROPERTY

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

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

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

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

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

The El Colomo property was originally made up of six concessions. The Company 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.

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, 2019, the Note, including interest amounts to \$523,704 (2018 - \$483,632). 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.

GAINEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

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, 2019, no provisions have been recorded for any potential liability arising from this matter, as management believes the claim to be without merit, with the likelihood of the Company being required to pay general damages being remote.

LAS MARGARITAS PROPERTY

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

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

Payment Term	CAD\$ Aggregate Value of Gainey Common Shares (applicable Mexican VAT to be paid in cash)	CAD\$ Cash Payment (inclusive of applicable Mexican VAT @ 16%)
Upon approval by the TSX Venture Exchange (received on January 25, 2019)	\$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, the Company will make annual cash payments to First Mining of USD\$25,000 from September 2018 (paid) to September 2020, and USD\$250,000 in September 2021 in connection with an existing agreement on the property, and will incur exploration expenditures on the Las Margaritas property totaling USD\$1,000,000 over the four-year option period. Upon completion, Gainey will obtain 100% ownership of the Las Margaritas project and First Mining will retain a 2% net smelter returns (“NSR”) royalty, with Gainey having the right to buy back 1% of the NSR royalty for USD\$1,000,000 up until the first anniversary of the commencement of commercial production at the project.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	March 31, 2019
Accounts payable	\$ 34,976	\$ 29,283
Accrued liabilities	52,645	65,644
	\$ 87,621	\$ 94,927

GAINNEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

6. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Share issuances

Six months ended September 30, 2019

On April 2, 2019, the Company issued 1,217,532 shares to First Mining Gold Corp as per the terms of the Option Agreement on the Las Margaritas property.

Year ended March 31, 2019

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

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

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

During the fiscal year, \$18,300 of prior year subscriptions were received. In addition, 1,000,000 shares at \$120,000 relating to subscriptions receivable were returned to treasury and cancelled. At March 31, 2019, \$52,400 of prior year subscriptions are still receivable.

The Company also received \$52,550 of share subscriptions that are returnable of which \$50,000 has been returned to the subscribers subsequent to March 31, 2019.

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.

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 to the Chief Executive Officer of the Company. A further \$190,700 of subscription proceeds were receivable at March 31, 2018. Two share certificates, with a subscription value of \$170,000, were held by the Company and the Company was 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.

GAINEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

6. SHARE CAPITAL (cont'd)

Shares held in escrow

Included in the shares outstanding at September 30, 2019 are 7,633,698 (2018 – 7,633,698) common shares held in escrow, which may not be transferred, assigned or otherwise dealt without the consent of the regulators.

During the six months ended September 30, 2019 and 2018, certain escrow releases were not completed pursuant to escrow agreements because of non-payment issues regarding the Note with Golden Anvil (Note 4). A special warrant (as described in Note 4) 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	\$ 0.30	1.15
Granted	14,412,986	0.24	2.40
Balance, March 31, 2018	28,780,486	0.27	1.27
Expired	(14,367,500)	0.30	-
Cancelled	(1,416,667)	0.24	-
Granted	25,360,000	0.08	2.45
Balance, September 30, 2019 and March 31, 2019	38,356,319	\$ 0.13	3.01

Additional information regarding warrants outstanding as at September 30, 2019 is as follows:

Number of warrants	Exercise Price	Expiry Date
12,806,319	\$0.24	August 23, 2020
250,000	\$0.18	August 23, 2020
15,000,000	\$0.10	January 3, 2023
10,300,000	\$0.10	March 18, 2023

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

GAINEY CAPITAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

7. SHARE-BASED PAYMENTS (cont'd)

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	4,225,000	0.22
Cancelled	(2,030,000)	0.22
Balance, March 31, 2019	2,195,000	\$ 0.22
Granted	1,350,000	0.12
Balance, September 30, 2019	3,545,000	\$ 0.19

The following stock options were outstanding and exercisable at September 30, 2019:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price	Expiry Date
925,000	925,000	\$ 0.25	June 1, 2020
1,270,000	1,270,000	0.20	September 8, 2021
1,350,000	1,350,000	0.12	April 1, 2024
2,150,000	2,150,000	0.12	September 17, 2024
5,695,000	5,695,000	\$ 0.17	

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.

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, 2019 and 2018 is as follows:

	Six months ended	
	September 30, 2019	September 30, 2018
Management fees paid/accrued to the CEO	\$ 80,095	\$ 78,145
Accounting fees paid/accrued to the CFO	15,000	15,000
Compensation paid/accrued to the VP of Exploration	-	23,125
Share-based compensation	52,500	-
	\$ 147,595	\$ 116,270

Related party balances

As at September 30, 2019, a total of \$55,000 (2018 – \$70,779) had been advanced to the CEO of the Company; and \$2,625 (2018 - \$10,500) is owing to the CFO of the Company.

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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, 2019. 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, 2019, the carrying values of the Company's receivables, accounts payable and accrued liabilities and due to related party approximate their fair values due to their short terms to maturity. The Company's cash and cash equivalents and restricted cash, under the fair value hierarchy is based on level one quoted inputs.

Financial Risks

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

Credit risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consist of bank accounts held with reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to \$100,000 in Canada and the Company holds nominal amounts in Mexican accounts as at September 30, 2019 and 2018. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. Accordingly, as at September 30, 2019, the Company's exposure to credit risk is minimal.

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10. FINANCIAL RISK MANAGEMENT (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, 2019, the Company had a cash balance of \$269,126 (March 31, 2019 - \$992,841) to settle current liabilities of \$92,796 (March 31, 2019 - \$149,614). The Company has corporate credit cards with various credit limits not exceeding \$35,000. As collateral for the credit cards, the Company has a restricted one-year term deposit of \$46,000 earning annual interest at Canadian prime rate less 2.25%.

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

Market risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At September 30, 2019, 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, 2019, all of the Company's exploration and evaluation assets and plant and equipment are located in Mexico.

12. SUBSEQUENT EVENTS

There are no subsequent events to report.