

**GAINEY CAPITAL CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Gainey Capital Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Gainey Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$883,954 during the year ended March 31, 2019 and, as of that date, the Company's total deficit was \$11,123,857. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 29, 2019

**GAINEY CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in Canadian Dollars)**

AS AT

	<b>MARCH 31,</b>		<b>MARCH 31,</b>
	<b>2019</b>		<b>2018</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 992,841	\$	583,259
Restricted cash (Note 13)	46,000		46,000
Receivables	6,880		6,676
Due from related party (Note 10)	-		79,582
Prepaid expenses	10,667		7,083
	<u>1,056,388</u>		<u>722,600</u>
<b>Plant and equipment</b> (Note 5)	264,685		332,024
<b>Exploration and evaluation assets</b> (Note 6)	1,999,036		1,807,565
	<u>\$ 3,320,109</u>	\$	<u>2,862,189</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (Note 7)	\$ 94,927	\$	72,825
Due to related party (Note 10)	2,137		10,500
Share subscriptions returnable (Note 8)	52,550		-
	<u>149,614</u>		<u>83,325</u>
<b>Shareholders' equity</b>			
Share capital (Note 8)	13,257,970		12,113,485
Share subscriptions received (Note 8)	-		7,200
Share subscriptions receivable (Note 8)	(52,400)		(190,700)
Reserves	1,088,782		1,088,782
Deficit	(11,123,857)		(10,239,903)
	<u>3,170,495</u>		<u>2,778,864</u>
	<u>\$ 3,320,109</u>	\$	<u>2,862,189</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 15)

**On behalf of the Board:**

“David Coburn”

Director

“Brent Omland”

Director

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

**GAINNEY CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**(Expressed in Canadian Dollars)**

	Year ended March 31, 2019	Year ended March 31, 2018
<b>EXPENSES</b>		
Accounting and audit (Note 10)	\$ 74,082	\$ 57,699
Amortization (Note 5)	67,339	78,811
Consulting fees	60,650	8,523
Legal	20,027	13,874
Management fees (Note 10)	157,980	154,305
Office	57,899	28,889
Repairs and maintenance	48,806	-
Shareholder and investor relations	265,526	87,080
Transfer agent and regulatory fees	32,042	26,995
Travel	101,699	44,330
	<u>(886,050)</u>	<u>(500,506)</u>
Interest income	577	337
Foreign exchange gain	1,519	3,159
Exploration advances expensed (Note 6)	-	(91,056)
Write-off of exploration and evaluation assets (Note 6)	-	(6,361,259)
	<u>2,096</u>	<u>(6,448,819)</u>
<b>Loss and comprehensive loss for the year</b>	<u>\$ (883,954)</u>	<u>\$ (6,949,325)</u>
<b>Loss per common share – basic and diluted</b>	<u>\$ (0.01)</u>	<u>\$ (0.13)</u>
<b>Weighted average number of shares</b>	<u>62,446,392</u>	<u>51,378,425</u>

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

**GAINEY CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 and 2018**

	Number of Shares	Share Capital			Reserves	Deficit	Total
		Amount	Share subscriptions received	Share subscriptions receivable			
Balance – March 31, 2017	44,455,954	\$ 10,470,459	\$ -	\$ -	\$ 1,068,582	\$ (3,290,578)	\$ 8,248,463
Shares issued for private placement	14,162,986	1,699,556	-	(190,700)	-	-	1,508,856
Share issue costs	-	(56,530)	-	-	20,200	-	(36,330)
Share subscriptions received	-	-	7,200	-	-	-	7,200
Loss for the year	-	-	-	-	-	(6,949,325)	(6,949,325)
<b>Balance – March 31, 2018</b>	<b>58,618,940</b>	<b>\$ 12,113,485</b>	<b>\$ 7,200</b>	<b>\$ (190,700)</b>	<b>\$ 1,088,782</b>	<b>\$ (10,239,903)</b>	<b>\$ 2,778,864</b>
Shares issued for private placement	25,300,000	1,265,000	-	-	-	-	1,265,000
Share issue costs	-	(7,715)	-	-	-	-	(7,715)
Shares issued	60,000	7,200	(7,200)	-	-	-	-
Subscriptions received	-	-	-	18,300	-	-	18,300
Shares cancelled	(1,000,000)	(120,000)	-	120,000	-	-	-
Loss for the year	-	-	-	-	-	(883,954)	(883,954)
<b>Balance – March 31, 2019</b>	<b>82,978,940</b>	<b>\$ 13,257,970</b>	<b>\$ -</b>	<b>\$ (52,400)</b>	<b>\$ 1,088,782</b>	<b>\$ (11,123,857)</b>	<b>\$ 3,170,495</b>

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

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

<b>CASH PROVIDED BY (USED IN):</b>	<b>Year ended March 31, 2019</b>	<b>Year ended March 31, 2018</b>
<b>Cash flows from operating activities:</b>		
Loss for the year	\$ (883,954)	\$ (6,949,325)
Non-cash items:		
Amortization	67,339	78,811
Write off of exploration and evaluation assets	-	6,361,259
Changes in non-cash working capital:		
Receivables	(204)	(5,971)
Prepaid expense	(3,584)	-
Accounts payable and accrued liabilities	26,359	7,241
Exploration advances	-	75,871
Due from/to related party	71,219	67,171
	<b>(722,825)</b>	<b>(364,943)</b>
<b>Cash flows from investing activities:</b>		
Exploration and evaluation assets	(195,728)	(371,676)
Purchase of property, plant & equipment	-	(23,452)
	<b>(195,728)</b>	<b>(395,128)</b>
<b>Cash flows from financing activities:</b>		
Shares issued for cash (net)	1,265,000	1,371,056
Share subscriptions returnable	52,550	-
Share issue costs	(7,715)	(36,330)
Share subscriptions receivable	18,300	-
	<b>1,328,135</b>	<b>1,334,726</b>
<b>Increase in cash</b>	<b>409,582</b>	<b>574,655</b>
<b>Cash – beginning of year</b>	<b>583,259</b>	<b>8,604</b>
<b>Cash – end of year</b>	<b>\$ 992,841</b>	<b>\$ 583,259</b>
<b>Supplemental disclosure on non-cash financing activities:</b>		
Exploration & evaluation asset expenditures included in accounts payable	\$ -	\$ 4,257
Finders warrants	-	20,200
Shares issued for debt	-	145,000
Subscriptions receivable	-	190,700
Cancelled shares	(120,000)	-
Shares issued for subscriptions received previously	7,200	-

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

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 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 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 \$883,954 for the year ended March 31, 2019 and an accumulated deficit of \$11,123,857 which has been funded primarily by the issuance of equity. 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 consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on July 29, 2019.

***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 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.

**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.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**2. BASIS OF PREPARATION (cont'd)**

Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates:

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

The carrying value and the recoverability of exploration and evaluation assets – Management has determined that exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

Recovery of deferred tax assets – Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates” management determined that the functional currency of the parent Company as well as the Company’s Mexican subsidiaries is the Canadian dollar.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**3. SIGNIFICANT ACCOUNTING POLICIES**

Exploration and evaluation assets

All property payments and all costs related to the exploration permitting process, exploration and development of evaluation and exploration assets are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units (“CGU”) for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its evaluation and exploration assets at least annually to consider if there is an impairment in value to take into consideration from current exploration results and management’s assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the exploration and evaluation asset is considered to be a mine under development and is classified as “Mining Assets”. Exploration and evaluation expenditures accumulated are also tested for impairment before the property costs are transferred to mining assets.

Plant and equipment

Plant and equipment are recorded at cost less accumulated amortization and, where applicable, impairment losses. The cost less residual value is amortized over the estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual period of financial reporting and the impact of any change in estimates is recognized prospectively. Depreciation is calculated using the declining balance method at a rate of 20% for processing plant and equipment and mining equipment, and at 30% for transportation equipment.

Impairment of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit (“CGU”) to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset or CGU’s value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Determining the discount rate includes appropriate adjustments for the risk profile of the country in which the individual asset or CGU operates.

**GAINNEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Impairment of long-lived assets (cont'd)

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depletion) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in profit or loss.

Provision for environmental rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its long-lived assets.

Share-based payments

The Company grants stock options to certain directors and employees of the Company. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing reserves based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Income taxes

Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recognized in respect of temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it does not recognize the asset. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

The Company adopted all of the requirements of IFRS 9 – *Financial Instruments* (“IFRS 9”) as of April 1, 2018. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of the initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at April 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash and cash equivalents	FVTPL	FVTPL
Restricted cash	FVTPL	FVTPL
Due from related parties	Loans and receivables	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on April 1, 2018.

Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

*Impairment of financial assets at amortized cost*

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Foreign exchange (cont'd)

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

**4. NEW STANDARDS NOT YET ADOPTED**

IFRS 16, published on January 13, 2016, supersedes IAS 17 – Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless a lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to reporting periods beginning on or after January 1, 2019.

The Company plans to apply IFRS 16 effective April 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease obligations related to its lease commitments for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at April 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of retained earnings or deficit. The Company intends to apply the following practical expedients permitted under the new standard:

- Leases of low dollar value and terms under one year will continue to be expensed as incurred; and
- The Company will not apply any grandfathering practical expedients.

As April 1, 2019, the Company does not expect the new standard to have a material effect on the consolidated financial statements.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**5. PLANT AND EQUIPMENT**

	<b>Processing plant and equipment</b>	<b>Mining equipment</b>	<b>Transportation equipment</b>	<b>Total</b>
<b>Cost</b>				
<b>Balance, March 31, 2017</b>	<b>\$ 588,902</b>	<b>\$ 25,100</b>	<b>\$ 31,269</b>	<b>\$ 645,271</b>
Additions	23,452	-	-	23,452
<b>Balance, March 31, 2018</b>	<b>\$ 612,354</b>	<b>\$ 25,100</b>	<b>\$ 31,269</b>	<b>\$ 668,723</b>
Additions	-	-	-	-
<b>Balance, March 31, 2019</b>	<b>\$ 612,354</b>	<b>\$ 25,100</b>	<b>\$ 31,269</b>	<b>\$ 668,723</b>
<b>Accumulated amortization</b>				
<b>Balance, March 31, 2017</b>	<b>\$ (230,695)</b>	<b>\$ (9,270)</b>	<b>\$ (17,923)</b>	<b>\$ (257,888)</b>
Amortization	(71,641)	(3,166)	(4,004)	(78,811)
<b>Balance, March 31, 2018</b>	<b>(302,336)</b>	<b>(12,436)</b>	<b>(21,927)</b>	<b>(336,699)</b>
Amortization	(62,004)	(2,533)	(2,802)	(67,339)
<b>Balance, March 31, 2019</b>	<b>\$ (364,340)</b>	<b>\$ (14,969)</b>	<b>\$ (24,729)</b>	<b>\$ (404,038)</b>
<b>Net book value, March 31, 2018</b>	<b>\$ 310,018</b>	<b>\$ 12,664</b>	<b>\$ 9,342</b>	<b>\$ 332,024</b>
<b>Net book value, March 31, 2019</b>	<b>\$ 248,014</b>	<b>\$ 10,131</b>	<b>\$ 6,540</b>	<b>\$ 264,685</b>

**GAINNEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**6. EXPLORATION AND EVALUATION ASSETS**

	<b>El Colomo Property</b>	<b>Las Margaritas Property</b>	<b>Totals</b>
<b>Acquisition costs:</b>			
Beginning balance: March 31, 2018	\$ 161,397	\$ -	\$ 161,397
Cash payments	-	32,375	32,375
<b>Acquisition costs – March 31, 2019</b>	<b>161,397</b>	<b>32,375</b>	<b>193,772</b>
<b>Exploration costs - Beginning balance:</b>	<b>\$ 1,646,168</b>	<b>\$ -</b>	<b>\$ 1,646,168</b>
Deferred exploration costs:			
Assaying	1,115	2,115	3,230
Consulting	3,046	6,205	9,251
Duties and taxes on mineral claims	35,645	11,372	47,017
Field expenses	6,173	4,839	11,012
Geological consulting	25,199	29,572	54,771
Legal fees	1,235	28,626	29,861
Travel	3,954	-	3,954
Total deferred exploration costs:	76,367	82,729	159,096
<b>Cumulative exploration costs, March 31, 2019</b>	<b>1,722,535</b>	<b>82,729</b>	<b>1,805,264</b>
<b>Acquisition and Explorations costs</b>	<b>\$ 1,883,932</b>	<b>\$ 115,104</b>	<b>\$ 1,999,036</b>

**GAINNEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**6. EXPLORATION AND EVALUATION ASSETS (cont'd)**

	<b>El Colomo Property</b>	
<b>Acquisition costs:</b>		
Beginning balance: March 31, 2017	\$	5,743,598
Write down of acquisition costs		(5,582,201)
<b>Acquisition costs – March 31, 2018</b>	<b>\$</b>	<b>161,397</b>
<b>Exploration costs - Beginning balance:</b>	<b>\$</b>	<b>2,094,320</b>
Deferred exploration costs:		
Assaying		3,334
Consulting		655
Duties and taxes on mineral claims		139,400
Field expenses		1,717
Geological consulting		87,525
Legal fees		27,014
Rental payments (land owners)		20,801
Site personnel		47,994
Travel		2,466
Total deferred exploration costs:		330,906
<b>Cumulative exploration costs, March 31, 2018</b>		<b>2,425,226</b>
Write-down of exploration and evaluation assets		(779,058)
<b>Exploration costs, March 31, 2018</b>		<b>1,646,168</b>
<b>Acquisition and Explorations costs</b>	<b>\$</b>	<b>1,807,565</b>

**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”).

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**6. EXPLORATION AND EVALUATION ASSETS (cont'd)**

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.

**Exploration Advances**

The Company had advanced funds to a former senior employee to be used for exploration activities. As of March 31, 2018, the Company had expensed \$91,056 of these advances as it was unable to recover the amounts. The Company will attempt to recover these funds in the future and any amounts received will be recorded as a recovery.

**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 March 31, 2019, the Note, including interest amounts to \$513,385 (2018 - \$455,603). 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, 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.

**GAINNEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**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:

<b>Payment Term</b>	<b>CAD\$ Aggregate Value of Gainey Common Shares (applicable Mexican VAT to be paid in cash)</b>	<b>CAD\$ Cash Payment (inclusive of applicable Mexican VAT @ 16%)</b>
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.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Accounts payable	\$ 29,283	\$ 47,825
Accrued liabilities	65,644	25,000
	<b>\$ 94,927</b>	<b>\$ 72,825</b>

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**8. SHARE CAPITAL**

*Authorized share capital*

Unlimited number of common shares without par value.

*Share issuances*

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.

*Shares held in escrow*

Included in the shares outstanding at March 31, 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.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**8. SHARE CAPITAL (cont'd)**

During the years ended March 31, 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 6). A special warrant (as described in Note 6) 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
<b>Balance, March 31, 2019</b>	<b>38,356,319</b>	<b>\$ 0.13</b>	<b>3.01</b>

Additional information regarding warrants outstanding as at March 31, 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

**9. 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.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**9. 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
<b>Balance, March 31, 2019</b>	<b>2,195,000</b>	<b>\$ 0.22</b>

The following stock options were outstanding and exercisable at March 31, 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
2,195,000	2,195,000	\$ 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.

**10. 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, 2019 and 2018 is as follows:

	Years ended	
	March 31, 2019	March 31, 2018
Management fees paid/accrued to the CEO	\$ 157,980	\$ 154,305
Accounting fees paid/accrued to the CFO	30,000	30,000
Compensation paid/accrued to the VP of Exploration	-	4,257
	<b>\$ 187,980</b>	<b>\$ 188,562</b>

*Related party balances*

As at March 31, 2019, a total of \$Nil (2018 –\$79,582) had been advanced to the CEO of the Company; and \$2,137 (2018 - \$10,500) is owing to the CEO and CFO of the Company.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

**11. 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 year ended March 31, 2019. The Company is not subject to externally imposed capital requirements.

**12. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2019</b>	<b>2018</b>
Loss for the year	\$ (883,954)	\$ (6,949,325)
Expected income tax (recovery)	\$ (239,000)	\$ (1,876,000)
Change in statutory, foreign tax, foreign exchange rates and other	41,000	(12,000)
Permanent differences	5,000	2,000
Share issue costs	(2,000)	-
Change in unrecognized deductible temporary differences	195,000	1,886,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2019</b>	<b>Expiry Date</b>	<b>2018</b>	<b>Expiry Date</b>
		<b>Range</b>		<b>Range</b>
<b>Temporary Differences</b>				
Canadian eligible capital	\$ -	No expiry date	\$ -	No expiry date
Property and equipment	-	No expiry date	3,000	No expiry date
Share issue costs	22,000	2039 to 2042	60,000	2038 to 2042
Non-capital losses available for future period	3,734,000	2031 to 2039	2,982,000	2031 to 2038
Canada	3,734,000	2031 to 2039	2,982,000	2031 to 2038

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**13. 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 March 31, 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 March 31, 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 March 31, 2019, 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. 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 March 31, 2019, the Company had a cash balance of \$992,841 (March 31, 2018 - \$583,259) to settle current liabilities of \$149,614 (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. 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 March 31, 2019, the Company was not exposed to significant interest rate risk.

**GAINEY CAPITAL CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

---

**13. FINANCIAL RISK MANAGEMENT (cont'd)**

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.

**14. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Mexico. As at March 31, 2019, all of the Company's exploration and evaluation assets and plant and equipment are located in Mexico.

**15. SUBSEQUENT EVENTS**

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