

**BAROYECA GOLD & SILVER INC.**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**NineMonths Ended  
February 29, 2020**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**BAROYECA GOLD & SILVER INC.**  
**February 29, 2020**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**BAROYECA GOLD & SILVER INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)  
(Unaudited – See Notice)

	<b>February 29, 2020</b>	<b>May 31, 2019</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 2,247	\$ 16,120
Marketable securities	11,000	11,000
Amounts receivable	2,166	1,778
Prepaid expenses	3,334	13,435
	<b>18,747</b>	<b>42,333</b>
Exploration advances	241	241
Equipment – Note 4	18,599	21,576
Exploration and evaluation assets – Note 5	608,249	500,000
	<b>\$ 645,836</b>	<b>\$ 564,150</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities – Note 7 and 8	\$ 2,860,481	\$ 2,639,540
Advance payable – Note 14	20,000	20,000
Line of credit – Note 7	25,598	16
Loan Payable– Note 12	369,298	371,993
	<b>3,275,377</b>	<b>3,031,549</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Capital Stock – Note 6	4,749,373	4,749,373
Agent options – Note 6	100,629	100,629
Reserves	683,742	683,742
Deficit	(8,154,858)	(7,993,562)
Accumulated other comprehensive income	(8,427)	(7,581)
	<b>(2,629,541)</b>	<b>(2,467,399)</b>
	<b>\$ 645,836</b>	<b>\$ 564,150</b>

**NATURE AND CONTINUANCE OF OPERATIONS** (Note 1)

**Approved on behalf of the Board:**

*“Richard Wilson”*

Richard Wilson – Director

*“Douglas Eacrett”*

Douglas Eacrett – Director

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

**BAROYECA GOLD & SILVER INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(LOSS)**

(Expressed in Canadian dollars)  
(Unaudited – See Notice)

	<b>Three Months Ended February 29, 2020</b>	Three Months Ended February 28, 2019	<b>Nine Months Ended February 29, 2020</b>	NineMonths Ended February 28, 2019
<b>EXPENSES</b>				
Depreciation – Note 4	\$ 922	\$ 931	\$ 2,773	\$ 2,764
Bank charges	3,897	477	9,340	3,641
Finance costs – Note 13	13,536	15,148	41,069	43,936
Insurance	3,272	4,975	10,491	12,974
Management fees – Note 8	15,000	15,000	45,000	45,000
Office and miscellaneous	929	1,556	6,348	3,970
Professional fees	6,123	11,477	29,735	30,171
Transfer agent and filing fees	6,047	3,015	14,669	6,081
Travel and promotion	385	3,055	2,168	8,274
<b>LOSS BEFORE OTHER INCOME</b>	<b>(50,111)</b>	<b>(55,634)</b>	<b>(161,593)</b>	<b>(156,811)</b>
<b>IMPAIRMENT LOSS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>MISCELLANEOUS INCOME</b>	<b>92</b>	<b>136</b>	<b>297</b>	<b>1,376</b>
<b>GAIN FROM SALE OF EQUIPMENT</b>	<b>-</b>	<b>56</b>	<b>-</b>	<b>91,781</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>(50,019)</b>	<b>(55,442)</b>	<b>(161,296)</b>	<b>(63,654)</b>
<b>Translation adjustment</b>	<b>(1,572)</b>	<b>(656)</b>	<b>(846)</b>	<b>292</b>
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (51,591)</b>	<b>\$ (56,098)</b>	<b>\$ (162,142)</b>	<b>\$ (63,362)</b>
<b>LOSS PER SHARE</b>				
<i>Basic and diluted</i>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>	<b>\$ (0.00)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>5,376,994</b>	<b>5,126,994</b>	<b>5,376,994</b>	<b>5,126,994</b>

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

**BAROYECA GOLD & SILVER INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)  
(Unaudited – See Notice)

	<b>Nine Months Ended February 29, 2020</b>	<b>Nine Months Ended February 28, 2019</b>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (161,296)	\$ (63,654)
Adjusted for items not involving cash:		
Depreciation	1,849	2,764
Gain from sales of equipment	-	(91,781)
Amortized finance costs	-	1,741
Net changes in non-cash working capital items:		
Decrease (increase) in prepaid expenses	9,837	10,176
Decrease (increase) in accounts receivable	(389)	2,482
Increase (decrease) in accounts payable and accrued liabilities	55,934	(54,254)
Increase in due to related parties	158,917	100,990
	<b>64,852</b>	<b>(91,536)</b>
<b>INVESTING ACTIVITIES</b>		
Proceed from sales of equipment	-	98,243
Mineral property expenditures, net of recovery	(79,581)	(21,108)
	<b>(79,581)</b>	<b>77,135</b>
<b>FINANCING ACTIVITIES</b>		
Subscriptions received in advance not yet issued	-	10,000
	<b>-</b>	<b>10,000</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE</b>	<b>856</b>	<b>699</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(13,873)</b>	<b>(3,702)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>16,120</b>	<b>14,711</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 2,247</b>	<b>\$ 10,009</b>
<b>CASH PAID FOR INCOME TAXES</b>	<b>\$ -</b>	<b>\$ -</b>

For supplemental disclosure with respect to cash flows, see Note 11.

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

**BAROYECA GOLD & SILVER INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)  
(Unaudited – See Notice)

	<i>Capital Stock</i>		<i>Subscriptions Received In advance Not yet issued</i>	<i>Agent Options</i>	<i>Reserves</i>	<i>Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Shareholders' Equity (Deficiency)</i>
	<i>Number of Shares</i>	<i>Amount</i>						
<b>Balance, May 31, 2019</b>	\$5,376,994	\$ 4,749,373	\$ -	\$ 100,629	\$ 683,742	\$(7,993,562)	\$ (7,581)	\$ (2,467,399)
Net loss for the period	-	-	-	-	-	(161,296)	-	(161,296)
Translation adjustment	-	-	-	-	-	-	(846)	(846)
<b>Balance, February 29, 2020</b>	<b>5,376,994</b>	<b>\$ 4,749,373</b>	<b>\$ -</b>	<b>\$ 100,629</b>	<b>683,742</b>	<b>\$(8,154,858)</b>	<b>\$ (8,427)</b>	<b>\$ (2,629,541)</b>
<b>Balance, May 31, 2018</b>	\$ 5,126,938	\$ 4,673,373	\$ -	\$ 100,629	\$ 683,742	\$ (7,607,988)	\$ (9,439)	\$(2,108,683)
	-	-	10,000	-	-	-	-	10,000
Net loss for the period	-	-	-	-	-	(63,654)	-	(63,654)
Translation adjustment	-	-	-	-	-	-	292	292
<b>Balance, February 28, 2019</b>	<b>5,126,938</b>	<b>\$ 4,724,373</b>	<b>\$ 10,000</b>	<b>\$ 100,629</b>	<b>\$ 683,742</b>	<b>\$(7,671,642)</b>	<b>\$ (9,147)</b>	<b>\$(2,162,045)</b>

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

**BAROYECA GOLD & SILVER INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**February 29, 2020**  
(Expressed in Canadian dollars)  
(Unaudited – See Notice)

**NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS**

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**General business description**

Baroyeca Gold & Silver Inc. (the "Company") was incorporated under the laws of British Columbia on February 17, 2006. The Company's registered office is located at Suite 1008 - 409 Granville Street, Vancouver, British Columbia. The Company's principal business activities include the acquisition and exploration of its exploration and evaluation assets. During the year ended May 31, 2008, the Company incorporated a wholly-owned subsidiary, Baroyeca Gold & Silver de Mexico, S.A. de C.V. under the laws of Mexico. In June 2011, the Company incorporated two new wholly-owned subsidiaries, Tombstone Gold & Silver Inc. and Tombstone Resources Inc., under the laws of Arizona.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and exploration and development programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is primarily dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

<b>Working capital deficiency</b>	<b>February 29, 2020</b>	<b>May 31, 2019</b>
Working capital	\$ (3,256,630)	\$ (2,989,216)
Deficit	\$ (8,154,858)	\$ (7,993,562)

**NOTE 2 – BASIS OF PREPARATION**

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The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 22, 2020.

**Statement of Compliance to IFRS**

These unaudited condensed interim financial statements have been prepared in accordance with International Accounts Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information.

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**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 – BASIS OF PREPARATION – CONT'D**

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**Principles of Consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Baroyeca Gold & Silver de Mexico, S.A. de C.V., Tombstone Gold & Silver Inc. and Tombstone Resources Inc. all inter-company transactions were eliminated upon consolidation. These condensed financial statements have been presented in Canadian dollars, unless otherwise noted.

**Use of Estimates and Significant Accounting Judgements**

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared.

Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment. Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

*Critical judgments in applying accounting policies*

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company and its Mexican Subsidiary has been determined to be the Canadian dollar. The Company has determined that the functional currency of its US subsidiaries is the United States dollar.

**Significant Estimates**

*Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.



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**NOTE 2 – BASIS OF PREPARATION – CONT'D**

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**Significant Estimates**

*Fair value of stock options and warrants*

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

*Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

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**Foreign currency translation**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company and its Mexican Subsidiary is the Canadian dollar, and the functional currency of the US Subsidiaries is the United States dollar.

Accordingly, the accounts of the US Subsidiaries are translated into Canadian dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income (loss).

Transactions occurring in currencies other than the functional currency of the entity recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position 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 the statement of operations and comprehensive loss.

**Cash and cash equivalents**

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. As at February 29, 2020 and May 31, 2019 there were no cash equivalents.

**BAROYECA GOLD & SILVER INC.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D**

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**Equipment**

Equipment is recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the equipment to the location and condition necessary for its intended use. Depreciation of equipment is calculated on a straight-line basis over the estimated useful lives as follows:

- mining equipment: 5 to 15 years
- Office equipment: 5 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted if appropriate.

**Exploration and evaluation assets**

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. All costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as resource assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated net realizable value. A resource property is reviewed for impairment at each financial statement date or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Interest on borrowings incurred to finance resource assets is capitalized until the asset is capable of carrying out its intended use.

From time to time the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permitting to complete the development and future profitable production or proceeds from the disposition thereof.

Revenues from saleable material produced during the exploration phase are applied as a reduction to capitalized exploration and evaluation assets.

**Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property and equipment, or site closure or reclamation activities when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as resource assets.

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D**

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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 resource assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates..

For the periods presented, the Company has determined that it has no significant provision for environmental rehabilitation.

**Impairment**

The Company reviews and evaluates its property, including exploration and evaluation assets, and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period of options granted as both share-based compensation expense and reserves. Consideration paid for the shares on the exercise of stock options is credited to capital stock, and the reserve account is reduced. The share-based compensation expense includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

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 fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D**

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**Income taxes**

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

**Earnings (loss) per share**

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the period, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the period, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

**Company as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that does not transfer substantially all the risks and rewards of ownership of an asset to the Company is classified as an operating lease.

Operating lease payments are recorded as deferred exploration and evaluation expenses on a straight-line basis over the lease term where the leased asset is used for the acquisition exploration and evaluation of exploration and evaluation assets. Otherwise, the lease payments are recognized as an operating expense in the Statement of Operation on a straight-line basis over the lease term.

**Financial Instruments**

IFRS 9, "Financial Instruments" replaces IAS 39, "Financial Instruments: Recognition and Measurement" and is effective for annual periods beginning on or after January 1, 2018. The Company applied the new standard retrospectively as of June 1, 2018. The adoption of IFRS 9 did not result in any change in recognition or measurement of any of the Company's financial instruments on transition.

The new standard contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale have been eliminated. IFRS 9 bases the classification of financial assets on the business model for managing the financial

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D**

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**Financial Instruments-cont'd**

asset and the characteristics of the contractual cash flows. There were no changes to measurement categories for financial liabilities.

IFRS 9 also introduces an expected credit loss model for evaluation impairment of financial assets. The credit loss model groups receivables based on similar credit risk characteristics. The expected credit loss model applies to the Company's trade and other receivables

The Company has classified its cash as FVTPL. The Company's amounts receivable and due from related parties are classified as amortized cost. The Company's accounts payable and accrued liabilities, due to related parties, advance payable and loan payable are classified as amortized cost.

The Company adopted the new standard on a modified retrospective basis, applying a practical expedient that provides transitional relief to contracts completed before January 1, 2018. The Company has evaluated the impact of applying IFRS 9 and has concluded that the adoption of the standard did not have a material impact on the condensed interim consolidated financial statements.

*Revenue recognition*

Effective April 1, 2018, the Company adopted IFRS 15, "Revenue from Contracts with Customers". IFRS 15 establishes a single, five-step model to be applied to all contracts with customers and two approaches to recognizing revenue; at a point in time or over time. The standard requires an entity to recognize revenue that reflects the transfer of goods and services for the amount it expects to receive when control has been transferred to the customer.

The Company adopted the new standard on a modified retrospective basis, applying a practical expedient that provides transitional relief to contracts completed before January 1, 2018. The Company has evaluated the impact of applying IFRS 15, and has concluded that the adoption of the standard did not have a material impact on the condensed interim consolidated financial statements

*Fair value hierarchy*

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1– Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2– Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets within sufficient volume or infrequent transactions.
- iii) Level 3–Applies to assets or liabilities for which there are unobservable market data.

Cash and the short-term deposit have been measured at fair value using Level 1 inputs.

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D**

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**Comprehensive income (loss)**

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. The Company's translation of its US Subsidiaries into Canadian dollars is the only item currently affecting comprehensive income (loss) for the period presented.

**New accounting standards adopted**

*IFRS 16*

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”) which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. This Standard sets out a new model for lease accounting. A lessee can choose to apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. The Company has applied IFRS 16 at the date it becomes effective using a modified retrospective approach. By applying this method, the comparative information for 2019 year end has not been restated.

The Company has elected not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are charged to exploration costs on a straight-line basis over the lease term.

The Company has reviewed all existing leases and concluded that all leases that were previously charged to exploration costs over the lease term were considered to be either short-term leases or leases of low value assets, and therefore there is no impact to the consolidated financial statements upon adoption of IFRS 16.

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**NOTE 4 –EQUIPMENT**

Equipment comprises the following:

	<b>Nine months ended February 29, 2020</b>		
	<b>Mining equipment</b>	<b>Office equipment</b>	<b>Total</b>
<b>Cost</b>			
Balance, May 31, 2019	\$ 50,289	\$ 976	\$ 51,265
Additions	-	-	-
<b>Balance, February 29, 2020</b>	<b>\$ 50,289</b>	<b>\$ 976</b>	<b>\$ 51,265</b>
<b>Accumulated depreciation</b>			
Balance, May 31, 2019	\$ 76,990	\$ 1,107	\$ 78,097
Depreciation	2,773	-	2,773
<b>Balance, February 29, 2019</b>	<b>\$ 79,763</b>	<b>\$ 1,107</b>	<b>\$ 80,870</b>
<b>Translation adjustment</b>			
May 31, 2019	\$ 48,277	\$ 131	\$ 48,408
February 29, 2020	\$ 48,073	\$ 131	\$ 48,204
<b>Net book value</b>			
At May 31, 2019	\$ 21,576	\$ -	\$ 21,576
At February 29, 2020	\$ 18,599	\$ -	\$ 18,599

**NOTE 5 – EXPLORATION AND EVALUATION ASSETS**

*Tombstone, Arizona*

Pursuant to a series of agreements, the Company acquired mining claims located in the state of Arizona and the option to acquire two additional parcels of claims contiguous to the group acquired. The Company paid the vendor US\$250,000 for the group of claims purchased and had the option to purchase the second parcel for US\$180,000 and the third parcel for US\$250,000. In September 2011, the Company paid US\$180,000 to exercise the option on the second parcel of claims.

In connection with the option for the third parcel, the Company paid US\$90,000 during the year end May 31, 2012, with the remaining balance of US\$160,000 to be paid. This date was extended indefinitely upon agreement with the vendor.

The Company agreed to issue to the Optionor, as additional consideration, 100,000 common shares upon closing of the purchase and sale of the third parcel of claims. The share issuance will be subject to acceptance for filing by the TSX Venture Exchange.

In conjunction with the acquisition of the claims, the Company agreed to purchase a number of pieces of equipment and an office facility located on the properties that had been used in operations carried out by the vendor for a total of US\$170,000(paid during the year ended May 31, 2012).

The Company also has agreed to pay a finder's fee of up to 390,000 common shares, of which 265,000 were issued in the year ended May 31, 2012, to an individual for introductions and assistance provided to the Company with respect to this acquisition (Note 6). The remaining common shares will be issued to the finder at completion of above mentioned purchase agreement.

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**NOTE 5 – EXPLORATION AND EVALUATION ASSETS – CONT'D**

To carry out the above property and equipment acquisitions, the Company incorporated two new wholly-owned subsidiary companies in Arizona in June 2011 to hold the assets acquired, namely, Tombstone Gold & Silver Inc. and Tombstone Resources Inc.

During the year ended May 31, 2018, the company entered into an option agreement with Aztec Mineral Corp. (“Aztec”) whereby Aztec can acquire a 75% interest in the Tombstone mineral properties held by the Company. To earn an interest in the property, Aztec must incur exploration expenditures of CAD \$1,000,000 on the property (\$50,000 incurred), make cash payments totalling CAD \$100,000 (\$40,000 paid) and issue 1,000,000 Aztec common shares to the Company over a three year period (100,000 shares have been issued).

Total expenditures on the Company’s mineral properties are as follows:

	<b>Tombstone, AZ</b>
<b>Balance, May 31, 2018</b>	\$ 570,446
<b>Additions</b>	
Consulting	53,432
Contract wages	88,766
Equipment rental and repair	15,276
Equipment lease	77,916
Permit, title search and taxes	1,883
Travel and accommodation	23,147
Vehicle repairs and maintenance	13,452
Deposit received from option	(29,281)
Recovery	(149,647)
Expenses recovery	239
Impairment Loss	(191,122)
Effect of foreign currency translation	25,493
<b>Total acquisition and exploration costs during the year</b>	<b>(70,446)</b>
<b>Balance, May 31, 2019</b>	<b>\$ 500,000</b>
<b>Additions</b>	
Consulting	36,545
Contract wages	61,516
Equipment rental and repair	22,958
Equipment lease	57,408
Permit, title search and taxes	547
Travel and accommodation	17,559
Vehicle repairs and maintenance	15,208
Recovery	(95,556)
Recovery from Aztec shares issued	(16,637)
Effect of foreign currency translation	8,701
<b>Total acquisition and exploration costs during the year</b>	<b>108,249</b>
<b>Balance, February 29, 2020</b>	<b>\$ 608,249</b>

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.



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**NOTE 6 – CAPITAL STOCK**

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Authorized: An unlimited number of common shares without par value.

The Company received TSX Venture Exchange approval to consolidate its common shares on June 25, 2019 on the basis of one common share to every 10 existing common shares of the company. The principal effect of the consolidation is that the number of shares of the Company issued and outstanding is reduced from 53,769,938 existing common shares as of the date hereof to 5,376,994 new common shares. The consolidation of common shares has been reflected retrospectively in May 31, 2019 consolidated financial statements.

**Stock options**

The Board of Directors is authorized, pursuant to the Company's Stock Option Plan, to grant options to directors, officers, consultants or employees to acquire up to 10% of issued and outstanding common shares. The exercise price of options granted shall not be less than the price permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction. The options can be granted for a maximum term of 5 years and are subject to such vesting terms and conditions as may be specified by the Board of Directors.

The award of stock options is at the discretion of the Board of Directors. The Company has no formal objectives or criteria and relies on the recommendations of the Board of Directors.

As at February 29, 2020 and May 31, 2019, The Company has no stock option outstanding.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

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**Compensation of key management**

Key management includes the Company's directors. Key management compensation for the periods ended February 29, 2020 and February 28, 2019, comprised:

	<b>February 29, 2020</b>	February 28, 2019
Management fees	\$ 45,000	\$ 45,000

**Other related party transactions**

In addition to the compensation paid to directors, the Company had the following transactions with related parties:

- a) The Company paid management fees of \$45,000 (February 28, 2019 - \$45,000) to a company controlled by a director. As of February 29, 2020, \$462,500 (May 31, 2019 – 417,500) was payable to this company and is included in accounts payable and accrued liabilities.
- b) The Company incurred legal fees of \$15,950 (February 28, 2019 - \$15,625) to a director of the Company. As at February 29, 2020, the Company had a balance payable of \$205,398 (May 31, 2019 - \$189,448) to the director which is included in accounts payable and accrued liabilities.
- c) As of February 29, 2020, the Company owed \$180,741 (May 31, 2019 - \$164,262) to an officer of a subsidiary of the Company for expense reimbursement, which is included in accounts payable and accrued liabilities.

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**NOTE 7 – RELATED PARTY TRANSACTIONS – CONT'D**

- d) As at February 29, 2020, the Company owed \$2,971 (May 31, 2019 - \$2,971) to directors of the Company, which is included in accounts payable and accrued liabilities. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.
- e) As at February 29, 2020, the Company owed \$259,112 (May 31, 2019 - \$231,248) to a director of the Company for expense reimbursement, and is included in accounts payable and accrued liabilities.
- f) As of February 29, 2020, the Company owed \$483 (May 31, 2019 - \$483) to a former director of the Company, who resigned on September 28, 2012, which is included in accounts payable and accrued liabilities.
- g) The long-term loan payable as at February 29, 2020 of \$369,298 (May 31, 2019 - \$371,993) was arranged through a partnership of individuals which includes a director of the Company. As February 29, 2020, \$464,595 (May 31, 2019 - \$425,918) was owing for accrued interest, participation fee, and loan fee, and is included in accounts payable and accrued liabilities. Refer to Notes 9 and 10 for additional information.
- h) As of February 29, 2020, a company controlled by a director of the Company has advanced \$25,598 (May 31, 2019 - \$16) in the form of a line of credit which has been used for exploration and evaluation assets. The outstanding balance bears interest at 18% per annum and is repayable on demand.

Other than the items g) and h) above, amounts due to/from related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

**NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>February 29, 2020</b>	May 31, 2019
Trade accounts payable	\$ 1,231,421	\$ 1,150,450
Accrued liabilities	53,260	57,260
Due to related parties (Note 7)	1,575,800	1,431,830
	<b>\$ 2,860,481</b>	<b>\$ 2,639,540</b>

**NOTE 9 – FINANCIAL RISK FACTORS**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

The fair value of the Company's amounts receivable, due from related parties, accounts payable and accrued liabilities, advance payable and line of credit approximate carrying value due to their short terms to maturity, which is the amount recorded on the consolidated statement of financial position. The company's loan payable is recorded at amortized cost, and the Company's cash is recorded at fair value using Level 1 quoted prices in active markets for identical assets or liabilities.

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. Cash is held in major financial institutions and the major component of amounts receivable is GST/HST receivable from the government of Canada. Accordingly, the Company believes it has no significant credit risk

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**NOTE 9 – FINANCIAL RISK FACTORS – CONT'D**

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*Liquidity risk*

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 29, 2020, the Company had a cash balance of \$2,247 (May 31, 2019 - \$16,120) to settle current liabilities of \$3,275,377 (May 31, 2019 - \$3,031,549). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

The Company has historically relied on equity and debt financings to satisfy its capital requirements and will continue to depend heavily upon equity capital, sale of existing gravel (Note 5) and debt to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing market conditions.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. As at February 29, 2020, the carrying value of the financial instruments approximates their fair values.

a) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, accounts payable and accrued liabilities, and loan payable that are denominated in Mexican Pesos and US dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations. A 10% change in the foreign exchange rate would affect net income for the period by approximately \$63,000 (May 31, 2019 - \$216,000).

b) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of commodities, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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**NOTE 10 – CAPITAL MANAGEMENT**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and evaluation of its mineral property interests. Capital is comprised of the Company's shareholders' equity. As at February 29, 2020, the shareholders' deficiency was \$(2,629,541) (May 31, 2019 - \$(2,467,399)). The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended February 28, 2020.

**NOTE 11 – SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOW**

	February 29, 2020	Changes in the period	May 31, 2019
Exploration and evaluation costs included in accounts payable and accrued liabilities	\$ 821,460	\$ 88,695	\$ 732,765
Line of credit used for exploration and evaluation assets	25,598	25,582	16

**NOTE 12 – LOAN PAYABLE AND ITS RELATED FINANCE COST**

In July 2013, Tombstone Resources Inc. ("the Borrower") finalized the terms of the loan agreement for up to US\$300,000, of which a total of US\$275,000 was received. The loans were from a partnership of individuals of which a director of the Company is the manager and are secured by the assets of, and promissory notes issued by, Tombstone Resources Inc. and Tombstone Gold & Silver Inc. (the "Tombstone subsidiaries"). The loans bear interest at 12% per annum with interest paid monthly. In the event that Borrower fails to make any payment of interest or principal when due, the interest rate shall increase immediately to 15% per annum and shall remain at 15% until all amounts due under this loan agreement have been paid in full. Principal payments are to be paid each June in an amount equal to 20% of net operating cash flow of the Borrower (which includes the accounts of Tombstone Gold & Silver Inc.) less interest expense and loan participation payments for the fiscal year ended May 31 of each year. Participation payments are payable to the lender at a rate equal to 10% of gross sales of the Borrower for the year, which rate will be reduced as loan repayments are made. The outstanding balance shall be fully repaid on the maturity date of June 30, 2018. The loan has been converted into a due on demand loan on maturity date of June 30, 2018. An additional loan fee of US\$11,000 was also charged to Statements of Operations during the year ended May 31, 2019 in order for the loan to be continued as a due on demand loan.

Principal balance of loan payable	US	\$275,000
Foreign exchange rate as at February 29, 2020		X 1.3429
	<u>CDN\$</u>	<u>369,298</u>

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**NOTE 13 – FINANCE COSTS**

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The Company's finance cost consists of the following for the nine month period ended:

	<b>February 29, 2020</b>	February 28, 2019
Loan participation cost	\$ 8,757	\$ 9,182
Loan interest expense	<b>32,312</b>	34,754
	<b>\$ 41,069</b>	\$ 43,936

**NOTE 14 – ADVANCE PAYABLE**

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The advance payable does not bear interest and has no specific terms for repayment.

**NOTE 15 – IMPAIRMENT**

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In December 2017, the Company signed an option agreement whereby the other party can earn up to a 75% interest in the Tombstone mineral properties (note 5). Based on the total amount of cash and shares to be paid by the other company to earn its interest, the Company has re-valued its Tombstone property and recorded an impairment loss on the property.

	February 29, 2020	May 31, 2019
Impairment of exploration and evaluation assets	\$ -	\$ 191,122

**NOTE 16 – SEGMENTED INFORMATION**

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The Company's principal activity is the exploration and development of mineral properties. The Company's resource properties are located in Mexico and United States (Note 5).

	<b>February 29, 2020</b>	May 31, 2019
Identifiable Assets:		
Equipment		
United States	\$ 18,599	\$21,576
Exploration and evaluation assets		
United States	\$ 608,249	\$ 500,000
	<b>\$ 626,848</b>	\$ 521,576

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**NOTE 17 – COMMITMENTS**

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- A) The Company has entered into two mining equipment leases. One of these leases expired on April 20, 2019 and the equipment is on a month-to-month basis rental and the other lease expires on April 1, 2020. The lease commitments for the next fiscal year ending May 31, 2020 as follow:

2020	US \$7,200
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- B) The loan payable mentioned on Note 12, with an outstanding balance as of February 28, 2020 \$369,298 (May 31, 2019 of \$371,993), mature on June 30, 2018. Lender has agreed to defer repayment as a due on demand loan subject to the same annual interest rate of 12%.

**NOTE 18 – SUBSEQUENT EVENT**

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- A) The company had entered into two option agreements to acquire a 100% interest in two mineral properties located in Colombia, South America and also a proposed private placement up to 2,000,000 common shares at \$0.05 per share. The private placement is subject to receipt of final approval from the regulatory authorities.
- B) Subsequent to period-end, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations.