BAROYECA GOLD & SILVER INC.

CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2020 and 2019

UNIT 114B (2nd Floor)
8988 FRASERTON COURT
BURNABY, BC V5J 5H8

T: **604.239.0868**
F: **604.239.0866**

A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Baroyeca Gold & Silver Inc.

We have audited the accompanying consolidated financial statements of Baroyeca Gold & Silver Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2020 and May 31, 2019, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020 and May 31, 2019, and its financial performance and its cash flow for the years ended May 31, 2020 and May 31, 2019 in accordance with International Financial Reporting Standards (IFRSs).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net comprehensive loss of $20,238 during the year ended May 31, 2020 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $6,228,578 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or 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 comprises the Management 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 audits 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 audits or otherwise appears to be materially misstated. 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 IFRSs, 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.

Auditors' 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 auditors' 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 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 auditors' 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 auditors' 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 group 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 practitioner on the audit resulting in this independent auditors' report is Anthony Chan, CPA, CA.

"A Chan & Company LLP"
Chartered Professional Accountant

Unit# 114B (2nd floor) – 8988 Fraserton Court
Burnaby, BC, Canada V5J 5H8
October 13, 2020

BAROYECA GOLD & SILVER INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		May 31, 2020		May 31, 2019
ASSETS				
CURRENT				
Cash	**$**	**5,137**	$	16,120
Marketable securities – Note 18		**120,000**		11,000
Amounts receivable		**53**		1,778
Prepaid expenses		**3,749**		13,435
Investments to be disposed of – Note 19		**2**		-
		128,941		42,333
Exploration advances		**241**		241
Equipment– Note 4		**-**		21,576
Exploration and evaluation assets – Note 5		**-**		500,000
	$	**129,182**	$	564,150
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities – Note 7 and 8	**$**	**799,016**	$	2,639,540
Advance payable – Note 16		**20,000**		20,000
Line of credit – Note 8		**-**		16
Loan payable – Notes 8 and 9		**-**		371,993
		819,016		3,031,549
SHAREHOLDERS' DEFICIENCY				
Capital Stock – Note 6		**4,749,373**		4,749,373
Agent options		**100,629**		100,629
Reserves		**683,742**		683,742
Subscriptions received in advance		**5,000**		-
Deficit		**(6,228,578)**		(7,993,562)
Accumulated other comprehensive income		**-**		(7,581)
		(689,834)		(2,467,399)
	$	**129,182**	$	564,150

NATURE AND CONTINUANCE OF OPERATIONS *(Note 1)*

"Richard Wilson"
Richard Wilson – Director

"Douglas Eacrett"
Douglas Eacrett– Director

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

BAROYECA GOLD & SILVER INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
For the years ended

		May 31, 2020		May 31, 2019
EXPENSES				
Foreign exchange (gain) loss		**(104,053)**		26,851
Interest and bank charges		**153**		79
Management fees – Note 8		**60,000**		60,000
Office and miscellaneous		**1,028**		810
Professional fees		**46,840**		51,750
Transfer agent and filing fees		**13,791**		16,641
NET LOSS BEFORE OTHER INCOME		**(17,759)**		(156,131)
Miscellaneous income		**-**		37
Gain on write off of debts		**1,204,708**		-
Loss on write off of investments and intercompany loans upon deconsolidation		**(992,079)**		-
Loss on assumption of accounts payable from deconsolidated subsidiaries		**(145,213)**		-
Unrealized gain (loss) on marketable securities – Note 18		**94,000**		(8,000)
NET GAIN (LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS		**143,657**		(164,094)
Translation adjustment		**6,382**		1,858
COMPREHENSIVE GAIN (LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS		**150,039**		(162,236)
COMPREHENSIVE GAIN (LOSS) FROM DISCONTINUED OPERATIONS FOR THE YEAR		**(170,277)**		(221,480)
COMPREHENSIVE LOSS FOR THE YEAR	**$**	**(20,238)**	$	(383,716)
LOSS PER SHARE				
Basic and diluted	**$**	**(0.004)**	$	(0.07)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**5,376,994**		5,157,816

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

BAROYECA GOLD & SILVER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
For the years ended

		May 31, 2020		May 31, 2019
CASH FLOWS PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Gain (loss) for the year from continued operations	**$**	**143,657**	$	(164,094)
Adjusted for:				
Loss on write off of investments and intercompany loans upon deconsolidation		**992,079**		-
Unrealized foreign exchange (gain) loss		**(104,053)**		26,851
Loss on assumption of accounts payable from deconsolidated subsidiaries		**145,213**		-
Gain on write off of debts		**(1,204,708)**		-
Unrealized (gain) loss on marketable securities		**(94,000)**		8,000
Net changes in non-cash working capital items:				
(Increase) decrease in amounts receivable		**(2,255)**		1,928
Increase in accounts payable and accrued liabilities		**29,977**		11,862
Increase in due to related parties		**82,200**		87,751
Cash used in continued operations		**(11,890)**		(27,702)
Cash provided by (used in) discontinued operations		**6,382**		(75,838)
NET CASH USED IN OPERATIONS		**(5,508)**		(103,540)
FINANCING ACTIVITIES				
Subscription received in advance		**5,000**		-
Shares issued for cash, net of cost		**-**		25,000
Cash provided by continued operations		**5,000**		25,000
Cash provided by discontinued operations		**-**		-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**5,000**		25,000
INVSTING ACTIVITIES				
Cash provided by continued operations		**-**		-
Cash provided by discontinued operations		**458**		84,138
NET CASH PROVIDED BY INVESTING ACTIVITIES		**458**		84,138
EFFECT OF FOREIGN EXCHANGE RATE				
Cash provided by continued operations		**-**		-
Cash provided by discontinued operations		**(9,094)**		(4,189)
NET EFFECT OF FOREIGN EXCHANGE RATE		**(9,094)**		(4,189)
INCREASE (DECREASE) IN CASH FOR THE YEAR		**(9,144)**		1,409
CASH, BEGINNING OF YEAR		**16,120**		14,711
CASH, END OF YEAR		**6,969**		16,120
LESS: CASH FROM DISCONTINUED OPERATIONS		**(1,839)**		-
CASH, END OF YEAR FROM CONTINUED OPERATIONS	**$**	**5,137**	$	16,120
CASH PAID FOR INCOME TAXES	**$**	**-**	$	-

For supplemental disclosure with respect to cash flows, see Note 14

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

BAROYECA GOLD & SILVER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Capital Stock							
	Number of Shares	*Amount*	*Subscription received in advance*	*Agent Options*	*Reserves*	*Deficit*	*Accumulated Other Comprehensive Income*	*Total Shareholders' Equity (Deficiency)*
Balance, May 31, 2018	5,126,994	$ 4,724,373	$ -	$ 100,629	$ 683,742	$ (7,607,988)	$ (9,439)	$ (2,108,683)
Addition in the year (Note 6)	250,000	25,000	-	-	-	-	-	25,000
Net loss for the year	-	-	-	-	-	(385,574)	-	(385,574)
Translation adjustment	-	-	-	-	-	-	1,858	1,858
Balance, May 31, 2019	5,376,994	$ 4,749,373	$ -	$ 100,629	$ 683,742	$ (7,993,562)	$ (7,581)	$ (2,467,399)
Addition in the year (Note 19)			5,000	-	-	-	-	5,000
Gain on deconsolidation of subsidiaries	-	-	-	-	-	1,791,604	1,199	1,792,803
Net loss for the year	-	-	-	-	-	(26,620)	-	(26,620)
Translation adjustment	-	-	-	-	-	-	6,382	6,382
Balance, May 31, 2020	5,376,994	$ 4,749,373	$ 5,000	$ 100,629	$ 683,742	$ (6,228,578)	$ -	$ (689,834)

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

(Expressed in Canadian dollars)

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

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 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 evaluation 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. These uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

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 consolidated balance sheet. 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.

Novel Coronavirus ("COVID-19")

The Company's operations could be significant adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

		May 31, 2020		May 31, 2019
Working capital (deficiency)	**$**	**(690,075)**	$	(2,989,216)
Deficit	**$**	**(6,228,578)**	$	(7,993,562)

The consolidated financial statements were authorized for issue by the Board of Directors on October 12, 2020.

NOTE 2 – BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

Statement of Compliance and Conversion to IFRS

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 IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on the histori6cal 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.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Boroyeca Gold & Silver de Mexico, S.A. de C.V. (the "Mexican Subsidiary"). All inter-company transactions were eliminated upon consolidation.

The accounts for Tombstone Gold & Silver Inc. and Tombstone Resources Inc. (collectively the "US Subsidiaries") had been deconsolidated from the consolidated financial statements for its year ended May 31, 2020 as the Company had entered into agreements subsequent to the year end to dispose of these US Subsidiaries. The Company accounted for these investments as investment to be disposed of as of May 31, 2020.

These consolidated 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. Effective June 1, 2013, the Company determined that the functional currency of its US subsidiaries is the United States dollar.

NOTE 2 – BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION – CONT'D

Operating lease commitments

The Company has entered into two mining equipment leases for its mining properties. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that the lease terms do not constitute a major part of the economic life of the leased equipment and the present value of the minimum lease payments do not amount to substantially all of the fair value of the equipment. Therefore, the Company did not acquire all the significant risks and rewards of ownership of the equipment and accounts for the contracts as operating leases.

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.

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

Change in Functional Currency

Effective June 1, 2013, the functional currencies of the US Subsidiaries changed from the Canadian dollar to the United States dollar. The functional currency of the Mexican Subsidiary has not changed and is Canadian dollars.

As a result of changing the functional currency of the US Subsidiaries, resulting exchange differences were recognized in other comprehensive income.

Foreign currency translation

Effective June 1, 2013, the Company accounted for its foreign currency translation as follows:

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 May 31, 2020 and May 31, 2019 the Company had no cash equivalents on hand.

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 used. 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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.

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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 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 and marketable securities 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 June 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 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 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

i) 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 with insufficient volume or infrequent transactions.

ii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash and marketable securities has been measured at fair value using Level 1 inputs.

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 years presented.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

IFRS 16 - Leases
The Company has adopted IFRS 16, Leases. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal and Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 June 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 June 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. As the leased equipment was included in the deconsolidated US Subsidiaries, the application of IFRS 16, Leases had no impact to the Company's consolidated financial statements.

Leases previously accounted for as operating leases
The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.
The Company also applied the available practical expedients wherein it:
Leases

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

i. Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
i. Lease liabilities
At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to

(Expressed in Canadian dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

IFRS 16 – Leases (continued)

the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

Measurement of Lease Receivable

At the commencement of a lease, the Company, if acting in capacity as a lessor, will classify the lease as finance lease and recognize a lease receivable at an amount equal to the net investment in the lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset or if the lease is a sublease, by reference to the ROU asset arising from the original lease (the "head lease"). A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset or the lease is a short-term lease. Cash received from an operating lease is included in other income in the Company's statement of (loss) income on a straight-line basis over the period the lease. The lease receivable is initially measure at the present value of the lease payments remaining at the lease commencement date, discounted at the interest rate implicit in the lease or the Company's incremental borrowing rate if the lease is a sublease. The lease receivable is subsequently measured at amortized cost using the effective interest rate method, and reduced by the amount received and impairment losses, if any.

Accounting standards, amendments and interpretations not yet effective

There are no significant material new standards, amendments to standards and interpretations that have been issued but are not effective during the year ended May 31, 2020 that are applicable to the Company.

NOTE 4 – EQUIPMENT

		Mining equipment		Office equipment		Total
Cost						
Balance, May 31, 2018	$	280,057	$	976	**$**	**281,033**
Disposals		(229,768)		-		**(229,768)**
Balance, May 31, 2019		50,289		976		**51,265**
Additions				-		**-**
Deconsolidated		(50,289)		(976)		**(51,265)**
Balance, May 31, 2020	$	-	$	-	**$**	**-**
Accumulated depreciation						
Balance, May 31, 2018	$	299,226	$	1,107	**$**	**300,333**
Charge for the year		3,703		-		**3,703**
Disposals		(225,939)		-		**(225,939)**
Balance, May 31, 2019		76,990		1,107		**78,097**
Charge for the year		3,753		-		**3,753**
Deconsolidated		(80,743)		(1,107)		**(81,850)**
Balance, May 31, 2020	$	-	$	-	**$**	**-**
Translation adjustment						
May 31, 2019	$	48,277	$	131	**$**	**48,408**
May 31, 2020	$	48,584	$	131	**$**	**48,715**
Deconsolidated	$	(48,584)	$	(131)	**$**	**(48,715)**
Net Book Value						
At May 31, 2019	$	21,576	$	-	**$**	**21,576**
At May 31, 2020	$	-	$	-	**$**	**-**

As of May 31, 2020, the Company deconsolidated the US Subsidiaries and as a result, the amount of net book value of equipment has become $Nil.

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 has the option to purchase the second parcel for US$180,000 and the third parcel for US$250,000. The Company must also issue 10,000 shares for the third parcel. 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 and the 10,000 shares to be issued by June 29, 2012. This date was extended indefinitely upon agreement with the vendor.

The Company agreed to issue to optionor, as additional consideration, 10,000 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 agreed to pay a finder's fee of up to 39,000 common shares, of which 26,500 were issued in fiscal May 31, 2012, to an individual for introductions and assistance provided to the Company with respect to this acquisition. The remaining common shares will be issued to the finder at completion of above mentioned purchase agreement.

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 Minerals Corp. ("Aztec") whereby Aztec can acquire a 75% interest in 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, make cash payments of CAD $100,000 and issue 1,000,000 Aztec common shares to the Company over a three year period.

Colombia, South America

During the year end May 31, 2020, the company has entered into 2 option agreements with Malabar Gold Corp. ("Malabar") whereby Baroyeca can acquire 100% interest in two mineral properties (the Santa Barbara Property and the Falan Property) located in Colombia, South America, along with all of the machinery, equipment, surface rights, license, permits, data and records relating to the properties and held by Malabar.

To earn a 100% interest in the properties, the Company must complete the following:

- *Santa Barbara Property*

  The Company must make cash payments of $1,700,000, and issue 7,000,000 Baroyeca common shares over a two year period and must incur expenditures of $1,000,000 on the property in the first year of the Option.

- *Falan Property*

  The Company must make cash payments of $1,000,000 and issue 5,000,000 Baroyeca common shares over a two year period.

(Expressed in Canadian dollars)

NOTE 5– EXPLORATION AND EVALUATION ASSETS – CONT'D

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

		Tombstone, AZ
Balance, May 31, 2018	$	570,446
Additions		
Consulting		53,432
Contract wages		88,766
Equipment rental and repair		15,276
Equipment lease		77,916
Mining taxes		-
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)
Impairment loss		(191,122)
Effect of foreign currency translation		25,493
Total acquisition and exploration costs during the year		(70,446)
Balance, May 31, 2019	$	500,000
Additions		
Consulting		45,497
Contract wages		85,050
Equipment rental and repair		26,072
Equipment lease		79,413
Mining taxes		-
Permit, title search and taxes		783
Travel and accommodation		22,011
Vehicle repairs and maintenance		19,395
Deposit received from option		(28,677)
Recovery		(162,392)
Expenses recovery		-
Impairment loss		(319,644)
Effect of foreign currency translation		12,492
Deconsolidation		(280,000)
Total acquisition and exploration costs during the year		(500,000)
Balance, May 31, 2020	**$**	**-**

As of May 31, 2020, the Company deconsolidated the US Subsidiaries and as a result, the amount of total exploration and evaluation assets has become $Nil.

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.

(Expressed in Canadian dollars)

NOTE 6– CAPITAL STOCK

Authorized: An unlimited number of common shares without par value

During the year ended May 31, 2020, the Company received TSX Venture Exchange approval to consolidate its common shares on June 25, 2019 on the basis of one new common share for every 10 existing common shares of the Company. The consolidation of shares had been reflected retrospectively in these consolidated financial statements.

During the 2019 year, 250,000 common shares at $0.10 per share were issued pursuant to a private placement financing and 510,000 common shares at $0.10 per share were issued during the year ended May 31, 2019.

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 May 31, 2020 and 2019, the Company has no stock options outstanding.

NOTE 7– ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		May 31, 2020		May 31, 2019
Trade accounts payable	**$**	**333,630**	$	1,150,450
Accrued liabilities		**66,000**		57,260
Due to related parties (Note 8)		**399,386**		1,431,830
	$	**799,016**	$	2,639,540

A total of $145,213 (US$103,651) in obligations of the US Subsidiaries deconsolidated was included in trade accounts payable above.

NOTE 8– RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes the Company's directors. Key management compensation for the years ended May 31, 2020 and 2019, comprised:

		May 31, 2020		May 31, 2019
Management fees	**$**	**60,000**	$	60,000

NOTE 8– RELATED PARTY TRANSACTIONS – CONT'D

Other related party transactions

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

a) During the year ended May 31, 2020, the Company paid management fees of $60,000 to a company controlled by a director (May 31, 2019–$60,000). As of May 31, 2020, $99,000 (May 31, 2019–$417,500) was payable to this company and is included in accounts payable and accrued liabilities. The Company has entered into a debts settlement agreement with this party in July 2020 to settle all existing debts as of May 31, 2020 by issuing 1,200,000 common shares of the Company at $0.0825 for a total of $99,000 and forgive the remaining balance of $378,500 which was included as gain on writing off of debts.

b) During the year ended May 31, 2020, the Company incurred legal fees of $22,200 (May 31, 2019– $27,750) to a law firm of which a director of the Company is a principal. As at May 31, 2020, the Company had a balance payable of $99,000 (May 31, 2019–$189,448) to this law firm, which was included in accounts payable and accrued liabilities. The Company has entered into a debts settlement agreement with this party in July 2020 to settle all existing debts as of May 31, 2020 by issuing 1,200,000 common shares of the Company at $0.0825 for a total of $99,000 and forgive the remaining balance of $112,648 which was included as gain on writing off of debts.

c) As at May 31, 2020, the Company owed $188,479 (May 31, 2019–$164,262) to a director of the Company for expense reimbursements, and is included in accounts payable and accrued liabilities. The Company has entered into a debts settlement agreement with this party in July 2020 to settle all existing debts as of May 31, 2020 by issuing 1,200,000 common shares of the Company at $0.0825 for a total of $99,000 and forgive the remaining balance of $89,479 which was included in the loss from discontinued operations.

d) As at May 31, 2020, the Company owed $2,971 (May 31, 2019–$2,971) to a director of the Company, which is included in accounts payable and accrued liabilities.

e) As at May 31, 2020, the Company owed $273,265 (May 31, 2019–$231,248) to a director of the Company for expense reimbursement, and is included in accounts payable and accrued liabilities. The Company has entered into a debts settlement agreement with this party in July 2020 to settle all existing debts as of May 31, 2020 by issuing 1,200,000 common shares of the Company at $0.0825 for a total of $99,000 and forgive the remaining balance of $174,265 which was included in the loss from discontinued operations.

f) As at May 31, 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 loan payable as at May 31, 2020 of $379,143 (May 31, 2019–$371,993) was arranged through a partnership of individuals which includes a director of the Company. As of May 31, 2020, $494,547 (May 31, 2019–$425,918) was owing for accrued interest, participation fee, and loan fee. This amount was included in the accounts payable and accrued liabilities of the US Subsidiaries and was deconsolidated from the consolidated financial statements as of May 31, 2020. Refer to Notes 9 and 10 for additional information.

h) As at May 31, 2020, a company controlled by a director of the Company has advanced $ NIL (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.

(Expressed in Canadian dollars)

NOTE 9 – LOAN PAYABLE

In July 2013, Tombstone Resources Inc. ("the Borrower") finalized the terms of the loan agreement for up to US$300,000, of which US$145,000 (CDN$150,336) was received during the year ended May 31, 2013. During the year ended May 31, 2014, the Company received a further US$130,000. 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, the Tombstone Resources Inc. and Tombstone Gold & Silver Inc. (the "Tombstone Subsidiaries"). The loans bear interest at 12% per annum with interest owing monthly. In the event that the 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. As of May 31, 2020, interest expense of CDN$44,237 and a participation cost of CDN$14,531 (Note 10) has been recorded and were included in the loss from discontinued operations.

Principal balance of loan payable	US$	275,000
Foreign exchange rate as at May 31, 2020		x 1.3787
	CDN$	379,143

The above loan was owed by the US Subsidiaries which was deconsolidated from the Company's consolidated financial statements as of May 31, 2020 with amount $Nil owing.

NOTE 10 – FINANCE COSTS

The Company's finance cost consists of the following for the year ended May 31, 2020 and 2019:

		2020		2019
Loan participation cost (Note 9)	**$**	**14,531**	$	13,410
Loan interest expense (Note 9)		**44,237**		44,689
Loan fee (Note 9)		**-**		14,547
Included in the loss from discontinued operations		**(58,768)**		(72,646)
	$	**-**	$	-

(Expressed in Canadian dollars)

NOTE 11 – INCOME TAXES

Following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery. The losses applicable to the US Subsidiaries have been deconsolidated from its consolidated financial statements and its related potential deferred income tax assets have also been deconsolidated.

	2020	2019
Net loss for the year before income taxes	**$ (143,657)**	$ (385,574)
Expected income tax recovery – (2020 & 2019 – 26%)	**$ (37,000)**	$ (100,000)
Change in statutory, foreign tax, foreign exchange and other	**(554,000)**	56,000
Change in unrecognized deductible temporary differences	**591,000**	44,000
Total income tax expense	**$ -**	$ -

The significant components of the Company's future income taxes assets which have not been set up are as follows:

	2020	2019
Deferred income tax assets:		
Non-capital losses	**$ 1,279,000**	$ 1,553,000
Capital assets	**4,000**	72,000
Exploration and evaluation assets	**1,484,000**	1,733,000
Share issue costs and others	**-**	-
Net Deferred income tax assets	**$ 2,767,000**	$ 3,358,000

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

NOTE 12– 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 and marketable securities are recorded at fair value using Level 1quoted 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. As the Company's cash is held in major financial institutions, and the major component of amounts receivable is GST receivable from the government of Canada, the Company believes it has no significant credit risk.

Liquidity and funding 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 May 31, 2020, the Company had a cash balance of $5,137 to settle current liabilities of $819,016. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand.

The Company has historically relied on equity and debt financings to satisfy its capital requirements and will continue to depend heavily upon equity capital 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 May 31, 2020, the carrying value of the financial instruments approximates their fair values.

a) Interest rate risk

   The Company has short-term deposit balance of $Nil as at May 31, 2020 and no financial liabilities whose future settlements will vary with changes in interest rates. The effect of fluctuations in interest rates, are considered to be insignificant.

b) Foreign currency risk

   The Company is exposed to foreign currency risk on fluctuations related to cash, amounts receivable, accounts payable and accrued liabilities and refundable deposit 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 rates would affect net loss for the year by approximately $14,500.

(Expressed in Canadian dollars)

NOTE 12– FINANCIAL RISK FACTORS – CONT'D

Market risk – cont'd

c) 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 the prices of commodities, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

NOTE 13– 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 May 31, 2020, the shareholders' deficiency was $(689,834). 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 year ended May 31, 2020.

NOTE 14– SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOW

Non-cash transactions affecting cash flows from operating, financing, and investing activities are as follows:

	May 31, 2020	May 31, 2019
There is no other material non-cash transactions need to be reported as a result of deconsolidation of US Subsidiaries.	$ -	$ -

(Expressed in Canadian dollars)

NOTE 15– SEGMENTED INFORMATION

The Company has one reportable segment being exploration and evaluation activities in Mexico and the United States. As of May 31, 2020, the US Subsidiaries have been deconsolidated and Mexico subsidiary has been dormant for several years.

Geographic information of identifiable assets is as follows:

		May 31, 2020		May 31, 2019
Identifiable Assets:				
Equipment				
United States	**$**	**-**	$	21,576
Mexico		**-**		-
	$	**-**	$	21,576
Exploration and evaluation assets				
United States	**$**	**-**	$	500,000
Mexico		**-**		-
	$	**-**	$	521,576

NOTE 16 – ADVANCE PAYABLE

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

NOTE 17 - COMMITMENTS

a) The Company has two mining equipment leases for its mining properties. both of the leases had expired and had agreed for month to month basis. These leases have already been deconsolidated from the Company's consolidated financial statements.

b) The Loan payable mentioned on Note 9, with an outstanding balance as of May 31, 2020 of $379,143 (2019 $359,166), matured 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%. These loans payable have already been deconsolidated from the Company's consolidated financial statements.

NOTE 18 – MARKETABLE SECURITIES

On March 22, 2019, the Company received 100,000 Aztec common shares at a total fair value of $19,000 to satisfy one of the terms of the option agreement (Note 5). On March 25, 2020, the Company received an additional 300,000 Aztec common shares at a total fair value of $15,000 in accordance with the option agreement. As at May 31, 2020, these 400,000 Aztec common shares were fair valued adjusted to $120,000 and recorded an unrealized gain of $94,000 to the Consolidated Statements of Operations for the year ended May 31, 2020.

NOTE 19 – SUBSEQUENT EVENTS

On August 13, 2020, the Company completed a non-brokered private placement of 2,000,000 shares of its capital stock at $0.05 per share raising a total of $100,000 in working capital.

As of September 15, 2020, the Company completed a non-brokered private placement of 3,000,000 units of its securities (the "Units") at a price of $0.0825 per Unit, each Unit consisting of one common share in its capital stock and one non-transferable share purchase warrant (a "Warrant"), with each such Warrant entitling the holder to acquire one additional common share of the Company at a price of $0.165 per share for a period of two years. The private placement offering raised $247,500 in working capital for the Company.

In July 2020, the Company has entered into debt settlement agreements with five parties to settle all of their outstanding accounts payable as of May 31, 2020, a total of $1,393,069, through the issue of 6,000,000 common shares of the Company at $0.0825 per share, a value of $495,000. As part of the settlement, each party agreed to forgive any remaining balance owing. These debt settlements have been conditionally approved by the TSX Venture Exchange, subject to the approval by the disinterested shareholders of the Company.

In September 2020, pursuant to the lender (the "Lender") under the Company's loan payable (See Note 9 - Loan Payable) choosing to exercise against the security it held, being all of the assets of the Tombstone Subsidiaries (also called the US Subsidiaries), to settle the outstanding debt, the Company entered into an agreement to transfer all of the shares of the Tombstone Subsidiaries to the Lender, which includes the remaining interest in the Tombstone Property and related assets. The parties have agreed to sell the 400,000 Aztec common shares, received as payment on the Tombstone Property Option Agreement, and apply the proceeds to the accounts payable outstanding as obligations of the US Subsidiaries. The Company has deconsolidated the US Subsidiaries as of May 31, 2020 and reclassified these investments as Investments to be Disposed Of. The Company also wrote down these investments to its nominal value of $2 during the year ended May 31, 2020.