BAROYECA GOLD & SILVER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended May 31, 2021 and 2020

(Expressed in Canadian dollars)

WDM CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of:
BAROYECA GOLD & SILVER INC.

Opinion

We have audited the consolidated financial statements of Baroyeca Gold & Silver Inc. ("the Company"), which comprise the consolidated statements of financial position as at May 31, 2021 and the consolidated statements of changes in shareholders' equity (deficiency), loss and comprehensive loss, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 loss of $2,243,213 during the year ended May 31, 2021, and as of that date, had accumulated losses since inception of $8,471,792. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 Matter

The financial statements for the year ended May 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 13, 2020.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

WDM

Chartered Professional

Vancouver, B.C.
September 28, 2021

Baroyeca Gold & Silver Inc.
Consolidated Statements of Financial Position
As at May 31, 2021 and 2020
(Expressed in Canadian dollars)

	Note	**2021**	2020
		$	$
ASSETS			
CURRENT			
Cash		**2,168,830**	5,137
Marketable securities	5	**93,697**	120,000
GST receivable		**32,719**	53
Prepaid expenses		**6,271**	3,749
Investments	6	**-**	2
		2,301,517	128,941
Exploration advances		**170,321**	241
Exploration and evaluation assets	6	**2,669,367**	-
		5,141,205	129,182
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	7	**280,282**	399,630
Advance payable	8	**-**	20,000
Due to related parties	10	**48,936**	399,386
		329,218	819,016
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share Capital	9	**12,498,754**	4,749,373
Share Subscriptions Received		**-**	5,000
Share-Based Payment Reserve		**784,371**	784,371
Deficit		**(8,471,792)**	(6,228,578)
Accumulated other comprehensive income		**654**	-
		4,811,987	(689,834)
		5,141,205	129,182

NATURE AND CONTINUANCE OF OPERATIONS *(Note 1)*
COMMITMENTS *(Note 14)*
SUBSEQUENT EVENTS *(Note 17)*

Approved on behalf of the Board on September 28, 2021:

"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 Changes in Shareholders' Deficiency
For the Years Ended May 31, 2021 and 2020
(Expressed in Canadian dollars)

	Note	Number of Common Shares	Share Capital	Share Subscription received	Share-Based Payment Reserves	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity (Deficiency)
			$	$	$	$	$	$
Balance, May 31, 2019		5,376,994	4,749,373	-	784,371	(7,993,562)	(7,581)	(2,467,399)
Subscription received in advance		-	-	5,000	-	-	-	5,000
Gain on deconsolidation of subsidiaries		-	-	-	-	1,791,603	1,199	1,792,802
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	784,371	(6,228,579)	-	(689,835)
Shares issued for cash	9(b)(i)(ii)(iii)	19,830,034	4,060,510	(5,000)	-	-	-	4,055,510
Shares issued for cash upon exercise of warrants	9(b)(vii)	175,000	28,875	-	-	-	-	28,875
Shares issued for exploration and evaluation assets	9(b)(v)	6,000,000	1,680,000	-	-	-	-	1,680,000
Shares issued for debt settlement	9(b)(iv)	6,000,000	2,100,000	-	-	-	-	2,100,000
Share issuance costs		-	(120,004)	-	-	-	-	(120,004)
Net loss for the year		-	-	-	-	(2,243,213)	-	(2,243,213)
Translation adjustment		-	-	-	-	-	654	654
Balance, May 31, 2021		37,382,028	12,498,754	-	784,371	(8,471,792)	654	4,811,987

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

Baroyeca Gold & Silver Inc.
Consolidated Statements of Changes in Comprehensive Loss
For the Years Ended May 31, 2021 and 2020
(Expressed in Canadian dollars)

	Note	**2021**	2020
		$	$
EXPENSES			
Advertising and promotions		**18,023**	-
Advisors and directors fees	10	**275,426**	-
Insurance		**4,229**	-
Interest and bank charges		**1,881**	153
Management and consulting fees	10	**92,177**	60,000
Meals and entertainments		**4,895**	-
Office		**10,378**	1,028
Professional fees	10	**205,740**	46,840
Transfer agent and filing fees		**52,808**	13,791
Loss before other items		**(665,557)**	(121,812)
Foreign exchange gain		**17,811**	104,053
Gain (Loss) on write off of accounts payable	10	**(1,605,000)**	1,204,708
Interest income		**707**	-
Loss on write off of investments and intercompany loans upon deconsolidation	6	**(2)**	(992,079)
Loss on assumption of accounts payable from deconsolidated subsidiaries		**-**	(145,213)
Unrealized gain on marketable securities	5	**8,828**	94,000
NET (LOSS) GAIN FOR THE YEAR		**(2,243,213)**	143,657
Translation adjustment		**654**	6,382
COMPREHENSIVE (LOSS) GAIN FOR THE YEAR FROM CONTINUED OPERATIONS		**(2,242,559)**	150,039
COMPREHENSIVE (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS		**-**	(170,277)
COMPREHENSIVE LOSS FOR THE YEAR		**(2,242,559)**	(20,238)
Basic and diluted loss per share for the year		**(0.13)**	(0.004)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**17,347,680**	5,376,994

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

Baroyeca Gold & Silver Inc.
Consolidated Statements of Changes in Cash Flows
For the Years Ended May 31, 2021 and 2020
(Expressed in Canadian dollars)

	2021 $	2020 $
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net (loss) income for the year	**(2,243,213)**	143,657
Adjusted for:		
Loss on write off of investments and intercompany loans upon deconsolidation	**2**	992,079
Loss (gain) on write off account payable	**1,605,000**	(1,204,708)
Foreign exchange gain	**(17,776)**	(104,053)
Loss on assumption of accounts payable from deconsolidation subsidiaries	**-**	145,213
Unrealized gain on marketable securities	**(8,828)**	(94,000)
Net changes in non-cash working capital items:		
(Increase) decrease in GST receivable	**(28,918)**	(2,255)
(Increase) in market securities	**(6,896)**	-
(Increase) decrease in advance receivable	**(250,000)**	-
(Increase) decrease in prepaid expenses	**(6,271)**	-
Increase in accounts payable and accrued liabilities	**393,428**	29,977
(Decrease) increase in due to related parties	**(350,450)**	82,200
Cash used in continued operations	**(913,922)**	(11,890)
Cash provided by (used in) discontinued operations	**-**	6,382
NET CASH USED IN OPERATIONS	**(913,922)**	(5,508)
FINANCING ACTIVITIES		
Advances payable	**(20,000)**	-
Subscription received in advance	**(5,000)**	5,000
Shares issued for cash, net of cost	**3,969,381**	-
Cash provided by continued operations	**3,944,381**	5,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	**3,944,381**	5,000
INVESTING ACTIVITIES		
Exploration	**(909,447)**	-
Proceed from sale of marketable securities	**42,027**	-
Cash used by continued operations	**(867,420)**	-
Cash provided by discontinued operation	**-**	458
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	**(867,420)**	458
EFFECT OF FOREIGN EXCHANGE RATE		
Cash provided by continued operations	**654**	-
Cash provided by discontinued operations	**-**	(9,094)
NET EFFECT OF FOREIGN EXCHANGE RATE	**654**	(9,094)
INCREASE (DECREASE) IN CASH FOR THE YEAR	**2,163,693**	(9,144)
CASH, BEGINNING OF YEAR	**5,137**	16,120
CASH, END OF YEAR	**2,168,830**	6,976
LESS: CASH FROM DISCOUNTINUED OPERATIONS	**-**	(1,839)
CASH, END OF YEAR FROM CONTINUED OPERATION	**2,168,830**	5,137

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

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.

	2021 **$**	2020 $
Working capital (deficiency)	**1,972,299**	(690,075)
Deficit	**(8,471,792)**	(6,228,578)

NOTE 2 – STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on September 28, 2021.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

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.

b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries (collectively, the "Company"). Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

The following companies have been consolidated within these consolidated financial statements:

Entity	Country of Incorporation	Voting Control	Functional Currency
Baroyeca Gold & Silver Inc.	Canada	Parent Company	Canadian Dollar
Baroyeca Gold & Silver de Mexico, SA de CV	Mexico	100%	Mexican Peso

c) Foreign currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency (Note 3(b)) and items included in the financial statements of each subsidiary are measured using that functional currency.

i) Transactions and Balances in Foreign Currencies

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rate at the date when fair value was determined.

ii) Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

d) 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, 2021 and May 31, 2020 the Company had no cash equivalents on hand.

e) Exploration and Evaluation Assets and Expenditures

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.

f) Long Term Investment and Investment in Associate

If the Company has significant influence over an investee as defined under IAS 28 – Investments in Associates and Joint Ventures, the investment is initially recognized at cost and is adjusted periodically to reflect the Company's portion of the investees' comprehensive profit or loss through the Company's statement of operations and comprehensive income (loss). The Company's share of profit or loss of an associate is shown on the face of the statement of operations and comprehensive income (loss).

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss in the statement of operations and comprehensive income (loss).

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and process from disposal is recognized in profit or loss.

g) Share Capital

The Company records proceeds from share issuances, net of commissions and issuance costs. Shares issued for other than cash consideration are valued at either: (i) the fair value of the asset acquired or the fair value of the liability extinguished at the measurement date under current market conditions, or (ii) the quoted price on the Over-the-Counter Bulletin Board in the United States based on the earliest of: the date the shares are issued, or the date the agreement to issue the shares is reached.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

h) 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 method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other share-based payments is recorded based on the estimated fair value using the Black-Scholes option-pricing model at the grant date and charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest. Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

i) 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.

j) Financial Instruments

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

i) **Classification**

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

The following table shows the classification under IFRS 9:

Financial assets	**Classification under IFRS 9**
Cash	Amortized cost
Marketable securities	FVTPL
Other receivables	Amortized cost
Financial liabilities	**Classification under IFRS 9**
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Other financial liabilities	Amortized cost

ii) **Measurement**

<u>Financial assets and liabilities at amortized cost</u>

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

<u>Financial assets and liabilities at FVTPL</u>

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

iii) **Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Comprehensive Income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

k) 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.

l) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i) Current Income Tax

Current income tax assets and liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

m) Earnings (loss) per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

n) Leases

The Company adopted all of the requirements of IFRS 16, effective January 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. There was no impact on the Company's financial statements upon the adoption of this new standard.

o) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statement of financial position include 'Subscriptions Received', 'Share-based Payment Reserve', and 'Deficit'.

- 'Subscriptions Received' is used to recognize the value of cash received towards share subscriptions that have not been issued by year-end.
- 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants and warrants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.
- 'Deficit' is used to record the Company's change in deficit from earnings from period to period and to recognize the fair value of stock option grants and warrants after expiry or cancellation.

p) Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. These reclassifications have no effect on the net loss for the year ended May 31, 2020.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

a) 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.

b) Deferred Tax Assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(Expressed in Canadian dollars)

c) Share-based Compensation

The fair value of share-based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

NOTE 5 – 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 6(a)). 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. During the year ended May 31, 2021, the Company sold 110,000 Aztec common shares for total proceeds of $42,027. As at May 31, 2021, marketable securities consist of 290,000 Aztec common shares with the fair value of $93,697 (2020 – 400,000 Aztec common shares with the fair value of $120,000).

NOTE 6– EXPLORATION AND EVALUATION ASSETS

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

	Tombstone, Arizona, USA $	Colombia $	Total $
Balance, May 31, 2019	**500,000**	**-**	**500,000**
Consulting	45,497	-	45,497
Contract wages	85,050	-	85,050
Equipment rental and repair	26,072	-	26,072
Equipment lease	79,413	-	79,413
Permit, title search and taxes	783	-	783
Travel and accommodation	22,011	-	22,011
Vehicle repairs and maintenance	19,395	-	19,395
Deposit received from option	(28,677)	-	(28,677)
Recovery	(162,392)	-	(162,392)
Impairment Loss	(319,644)	-	(319,644)
Effect of foreign currency translation	12,492	-	12,492
Deconsolidation	(280,000)	-	(280,000)
Total acquisition and exploration costs during the year	(500,000)	-	(500,000)
Balance, May 31, 2020	-	-	-
Acquisition cost	-	2,380,000	2,380,000
Automobile	-	2,284	2,284
Consulting and geologists	-	103,095	103,095
Exploration, lab and survey	-	106,298	106,298
Equipment, tools and materials	-	15,966	15,966
Legal	-	14,920	14,920
Repairs and maintenance	-	2,930	2,930
Travel and accommodations	-	3,436	3,436
Taxes	-	415	415
Samples	-	298	298
Wages, benefits and contractors	-	96,365	96,365
Gold sample (recovery)	-	(57,308)	(57,308)
Foreign currency translation	-	668	668
Total acquisition and exploration costs during the year	-	2,669,367	2,669,367
Balance, May 31, 2021	**-**	**2,669,367**	**2,669,367**

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.

a) 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.

In September 2020, pursuant to the lender (the "Lender") under the Company's 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. All the related losses on assumption of accounts payable from the deconsolidated subsidiaries and write off of investments and intercompany loans with the deconsolidated subsidiaries were recognized in the consolidated statements of operations and comprehensive loss for the fiscal year ended May 31, 2020.

b) Colombia

During the year end May 31, 2020, the Company entered into 2 option agreements with Malabar Gold Corp ("Malabar") whereby Baroyeca acquired 100% interest in two mineral properties (Santa Barbara and 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.

(Expressed in Canadian dollars)

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

i) Santa Barbara Property

Pursuant to the agreement, the Company must make cash payments of $1,750,000, and issue 7,000,000 common shares of the Company and must incur expenditures of $500,000 on the property over a three-year period as follows:

		Number of Shares	Cash $
Within 7 days of signing	(Paid)	-	50,000
On Closing	(Paid and Issued – fair valued at $980,000)	3,500,000	400,000
Within 10 days following the first anniversary of closing;		1,750,000	825,000
Within 10 days following the second anniversary of closing		1,750,000	475,000
		7,000,000	1,750,000

ii) Atocha Property (Formerly Falan Property)

Pursuant to the agreement, the Company must make cash payment of $1,050,000 and issue 5,000,000 common shares of the Company over a three-year period as follows:

		Number of Shares	Cash $
Within 7 days of signing	(Paid)	-	50,000
On Closing	(Paid and Issued – fair valued at $700,000)	2,500,000	200,000
Within 10 days following the first anniversary of closing;		1,250,000	500,000
Within 10 days following the second anniversary of closing		1,250,000	300,000
		5,000,000	1,050,000

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.

NOTE 7– ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021 **$**	2020 $
Trade accounts payable	**214,282**	333,630
Accrued liabilities	**66,000**	66,000
Balance, May 31, 2021	**280,282**	**399,630**

A total of $125,128 (US$103,651) assumed from the US Subsidiaries deconsolidated was included in trade accounts payable above.

NOTE 8– ADVANCE PAYABLE

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

NOTE 9– SHARE CAPITAL

a) Authorized Share Capital

The Company is authorized to issue 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.

b) Issued Common Shares

During the year ended May 31, 2021, the Company has issued a total of 32,005,034 shares of its capital stock, as follows:

i) 2,000,000 common shares pursuant to a private placement at $0.05 per share;

ii) 3,000,000 units of its securities (3,000,000 common shares and 3,000,000 warrants) pursuant to a private placement at $0.825 per unit, each unit consisting of one common share 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;

iii) 9,200,000 units of its securities (9,200,000 common shares and 9,200,000 warrants) pursuant to a private placement at $0.22 per units, each unit consisting of one common share 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 $0.30 per share for a period of two years;

iv) 6,000,000 common shares at $0.35 per share pursuant to a settlement of debts;

v) 6,000,000 common shares at $0.28 per share for acquisition of the interests in the mineral property options from Malabar;

vi) 5,630,034 units of its securities at $0.30 per unit, each unit consisting of one common share and one-half a non-transferable share purchase warrant, each whole warrant (a "Warrant"), entitling the holder to acquire one additional common share of the Company at a price of $0.45 per share for a period of one year; and

vii) 175,000 common shares at $0.165 pursuant to the exercise of warrants.

c) 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, 2021 and 2020, the Company has no stock options outstanding.

d) Warrants

As at May 31, 2021, warrants outstanding were as follows:

i) 2,825,000 share purchase warrants at an exercise price of $0.165 per share until September 15, 2022.

ii) 8,343,089 share purchase warrants at an exercise price of $0.30 per share until January 14, 2023.

(Expressed in Canadian dollars)

iii) 856,911 share purchase warrants at an exercise price of $0.30 per share until January 25, 2023

iv) 207,382 share purchase warrants at an excise price of $0.30 per share until April 23, 2022

v) 2,815,017 share purchase warrants at an exercise price of $0.45 per share until April 23, 2022.

A summary of the Company's issued and outstanding warrants as at May 31, 2021 is presented below:

	Warrants Outstanding Numbers	Weighted average exercise price $
Balance, June 1, 2020	**-**	**-**
Warrants issued under Finder's fee	207,382	0.0004
Warrants issued under private placement	14,840,017	0.0596
Balance, May 31, 2021	**15,047,399**	**0.0600**

NOTE 10 – RELATED PARTY TRANSACTIONS

a) Compensation of key management

Key management includes the Company's directors. Key management compensation for the years ended May 31, 2021 and 2020, comprised:

	2021 $	2020 $
Director fees	**6,175**	-
Management fees	**10,000**	60,000
Consulting fees	**69,314**	-
	85,489	60,000

b) Other related party transactions

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

i) During the year ended May 31, 2021, the Company incurred management fees of $NIL to a company controlled by a director (2020 - $60,000). As of May 31, 2021, $NIL (2020 - $99,000) was payable to this company and is included in due to related parties. In fiscal 2020, the Company entered into debt settlement agreement with this party to settle all existing debts as at May 31, 2020 by issuing 1,200,000 common shares of the Company at a deemed price of $0.0825 for a total of $99,000. A gain on write-off of accounts payable in the amount of $279,500 was recorded in fiscal 2020. In January 2021, the Company issued 1,200,000 common shares with fair value of $0.35 for a total of $420,000 to settle the debt owed with carrying value of $99,000 (2020 - $378,500). A loss on settlement of debt for $321,000 was recorded in fiscal year 2021.

ii) During the year ended May 31, 2021, the Company incurred legal fees of $119,428 (2020 - $22,200) to a law firm of which a director of the Company is a principal. As at May 31, 2021, the Company had a balance payable of $25,000 (2020 - $99,000) to this law firm, which was included in due to related parties. In fiscal 2020, the Company entered into debt settlement agreement with this party to settle all existing debts as at May 31, 2020 by issuing 1,200,000 common shares of the Company at a deemed price of $0.0825 for a total of $99,000. A gain on write-off of accounts payable in the amount of $112,648 was recorded in fiscal 2020. In January 2021, the Company issued 1,200,000 common shares with fair value of $0.35 for a total of $420,000 to settle the debt owed with carrying value of $99,000 (2020 - $211,648). A loss on settlement of debt for $321,000 was recorded in fiscal year 2021.

(Expressed in Canadian dollars)

iii) As at May 31, 2021, the Company owed $1,200 (2020 - $188,479) to a company controlled by a director for expense reimbursements, and is included in due to related parties. In fiscal 2020, the Company entered into debt settlement agreement with this party to settle all existing debts as at May 31, 2020 by issuing 1,200,000 common shares of the Company at a deemed price of $0.0825 for a total of $99,000. A gain on write-off of accounts payable in the amount of $89,749 was recorded in fiscal 2020. In January 2021, the Company issued 1,200,000 common shares with fair value of $0.35 for a total of $420,000 to settle the debt owed with carrying value of $99,000 (2020 - $188,749). A loss on settlement of debt for $321,000 was recorded in fiscal year 2021.

iv) During the year ended May 31, 2021, the Company paid consulting fee of $10,000 (2020 - NIL) to a director of the Company, As of May 31, 2021 the Company had a balance payable of $2,971 (2020 - $2,971) to this director which was included in accounts payable and accrued liabilities.

v) As at May 31, 2021, the Company owed $3,000 (2020 - $99,000) to a director of the Company for expense reimbursement, and is included in due to related parties. In fiscal 2020, the Company entered into debt settlement agreement with this party to settle all existing debts as at May 31, 2020 by issuing 1,200,000 common shares of the Company at a deemed price of $0.0825 for a total of $99,000. A gain on write-off of accounts payable in the amount of $174,265 was recorded in fiscal 2020. In January 2021, the Company issued 1,200,000 common shares with fair value of $0.35 for a total of $420,000 to settle the debt owed with carrying value of $99,000 (2020 - $273,265). A loss on settlement of debt for $321,000 was recorded in fiscal year 2021.

vi) As at May 31, 2021, the Company owed $483 (2020 - $483) to a former director of the Company, who resigned on September 28, 2012, which is included in accounts payable and accrued liabilities.

vii) As at May 31, 2021, the Company paid consulting fee of $69,314 to a company owned by a director of the Company.

viii) As at May 31, 2021, the Company owed $16,350 (2020 - $16,350) to a director of the Company.

The amounts due to/from related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

NOTE 11 – INCOME TAXES

a) Provision for current tax

No provision has been made for current income taxes, as the Company has no taxable income.

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

	2021	2020
	$	$
Net (loss) for the year	**(2,243,213)**	(143,657)
Income tax expense	**-**	-
Income (loss) excluding income tax	**(2,243,213)**	(143,657)
Income tax expense (recovery) using the Company's domestic tax rate	**(606,000)**	(37,000)
Change in deferred tax rates	**(154,000)**	-
Adjustment to prior year's tax provision	**59,000**	-
Others	**28,000**	(554,000)
Change in unrecognized temporary differences	**673,000**	591,000
	-	-

The Company's Canadian corporate tax rate is 27% (2020 - 27%) and effective tax rate is NIL (2020 - NIL).

(Expressed in Canadian dollars)

b) Provision for deferred tax

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized.

As at May 31, 2021, the Company has unused non-capital loss carry forward of approximately $5,642,599 (2020 - $2,996,751) in Canada and $1,786,598 (2020 - $2,138,266) in Mexico.

In addition, the Company has approximately $7,407,102 (2020 - $2,138,266) of resource tax pools available, which may be used to shelter certain resource income in Canada.

As at May 31, 2021, the Company had the following deductible temporary differences in respect of which no deferred tax asset was recognized:

Expiry	Tax Losses $	Resource Pools $	Equipment and Others $
Withing one year	-	-	-
One to five years	-	-	96,004
After five years	7,429,197	-	-
Share issuance costs and others	-	7,407,102	14,765
Net deferred income tax assets	**7,429,197**	**7,407,102**	**110,769**

NOTE 12 – SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOW

There are no other material non-cash transactions need to be reported as a result of deconsolidation of US Subsidiaries.

NOTE 13 – SEGMENTED INFORMATION

The Company has one reportable segment being exploration and evaluation activities in Mexico and Colombia. As of May 31, 2021, Mexico subsidiary has been dormant for several years.

Geographic information of identifiable assets is as follows:

	2021 **$**	2020 $
Equipment		
Colombia	**-**	**-**
Mexico	**-**	**-**
	-	**-**
Exploration and evaluation assets		
Colombia	**2,669,367**	**-**
Mexico	**-**	**-**
Total Identifiable Assets	**2,669,367**	**-**

NOTE 14 – COMMITMENTS

In May 2021, the Company has signed a marketing service agreement with CapWest Investment Corp. marketing, public relations and advisory services, the Company has agreed to pay fees of $150,000 for a initial 2 month term and paid $50,000 during the year ended May 31, 2021.

Pursuant to a Financial Services Agreement entered into in May 2021, the Company has agreed to pay fees of $7,000 per month for consulting services to be provided in Europe with respect to the listing of its shares on the Frankfurt Stock Exchange. The agreement is for a term of one year and the fees are paid quarterly in advance.

See also Note 6 herein for the commitments arising from the Mineral Property Option Agreements entered into during the year.

NOTE 15 – FINANCIAL RISK FACTORS

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

a) Fair Value

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.

b) 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.

c) 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, 2021, the Company had a cash balance of $2,168,830 to settle current liabilities of $329,218. 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.

d) 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, 2021, the carrying value of the financial instruments approximates their fair values.

e) Interest rate risk

The Company has short-term deposit balance of $Nil as at May 31, 2021 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.

f) 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.

g) 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 16– 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, 2021, the shareholders' equity was $4,811,987. 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, 2021.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent to the year-end, on June 24, 2021, the Company granted incentive stock options to directors, officers and employees of the Company to acquire up to 3,500,000 shares in its capital stock at a price of $0.215 per share exercisable for a period of five years.

NOTE 18 – COVID-19 PANDEMIC

In March 2020, the World Health Organization declared, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", a pandemic. This has resulted in governments worldwide enacting emergency measures to limit the spread of the virus, including closure of non-essential businesses. As of the date of this report, the majority of the Company's operations are considered essential in all jurisdictions in which the Company operates. As such, to date the Company has been able to continue operating with no material impact to operations.

There have been no material revisions to the nature and number of estimates and judgments made in respect of the Company's consolidated financial statements of prior periods. However, the effects of COVID-19 have required significant judgements and estimates to be made in the preparation of the Company's consolidated financial statements.

Additionally, the effects of COVID-19 may require revisions to estimates of expected credit losses attributed to accounts receivable. To date no revisions to managements' estimates and judgements used in the preparation of the Company's consolidated financial statements have been necessary.

Due to rapid developments and uncertainty surrounding COVID-19 or the possible ending of COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's operations or financial results in the future, its suppliers, and its customers. Additionally, it is possible the Company's operations and consolidated financial results will change in the near term as a result of COVID-19 or the ending of COVID-19.