

BAROYECA GOLD & SILVER INC.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**Three Months Ended
August 31, 2021**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

BAROYECA GOLD & SILVER INC.
August 31, 2021

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

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

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

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

	August 31, 2021	May 31, 2021
ASSETS		
CURRENT		
Cash	\$ 1,688,701	\$ 2,168,830
Marketable securities – Note 5	-	93,697
GST receivable	34,811	32,719
Investment	50,000	-
Prepaid expenses	17,646	6,271
	1,791,158	2,301,517
Exploration advances	168,885	170,321
Exploration and evaluation assets – Note 6	2,954,776	2,669,367
	4,914,819	5,141,205
	\$	\$
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities – Note 7	\$ 193,817	\$ 280,282
Due to related parties – Note 10	80,736	48,936
	274,553	329,218
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Capital Stock – Note 9	12,519,379	12,498,754
Share-Based Payment reserves	784,371	784,371
Deficit	(8,661,650)	(8,471,792)
Accumulated other comprehensive income	(1,834)	654
	4,640,266	4,811,987
	4,914,819	5,141,205
	\$	\$

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 14)

Approved on behalf of the Board:

“Richard Wilson”

Richard Wilson – Director

“Douglas Eacrett”

Douglas Eacrett – Director

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

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

	Three Months Ended August 31, 2021	Three Months Ended August 31, 2020
<hr/>		
EXPENSES		
Bank charges	\$ 375	\$ 49
Consulting fees – Note 10	110,050	-
Insurance	3,992	-
Management and director fees – Note 10	600	15,000
Office and miscellaneous	22,288	1,574
Professional fees – Note 10	37,087	35,250
Transfer agent and filing fees	8,423	2,053
Website, marketing and promotion	8,880	-
<hr/>		
NET LOSS BEFORE OTHER INCOME	(191,695)	(53,926)
Interest income	1,837	-
Unrealized gain (loss) on marketable securities	-	112,000
<hr/>		
NET INCOME (LOSS) FOR THE PERIOD	(189,858)	58,074
Translation adjustment	(2,488)	-
<hr/>		
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(192,346)	58,074
<hr/>		
INCOME (LOSS) PER SHARE		
<i>Basic and diluted</i>	\$ (0.02)	\$ 0.01
<hr/>		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	37,488,006	5,768,298
<hr/>		

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

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

	Three Months Ended August 31, 2021	Three Months Ended August 31, 2020
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Gain (Loss) for the period	\$ (189,858)	\$ 58,074
Adjusted for:		
Unrealized (gain) loss on marketable securities	-	(112,000)
Foreign exchange	(2,488)	-
Net changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	(2,092)	(918)
Increase in Prepays	(11,375)	-
Increase in advance receivable	1,436	-
Increase (decrease) in accounts payable and accrued liabilities	(86,465)	5,558
Increase in due to related parties	31,800	38,250
	(259,042)	(11,036)
INVESTING ACTIVITIES		
Deferred exploration cost	(285,409)	(49,210)
Proceed from sale of marketable securities	93,697	-
Investments	(50,000)	-
	(241,712)	(49,210)
FINANCING ACTIVITIES		
Shares issued for cash, net of cost	20,625	100,000
Subscription received in advance	-	23,875
	20,625	123,875
EFFECT OF FOREIGN EXCHANGE RATE	-	-
INCREASE (DECREASE) IN CASH	(480,129)	63,629
CASH, BEGINNING OF PERIOD	2,168,830	5,137
CASH, END OF PERIOD	\$ 1,688,701	\$ 68,766

For supplemental disclosure with respect to cash flows, see Note 10.

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

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

	<i>Capital Stock</i>		<i>Subscription Received in advance</i>	<i>Share-based Payment Reserves</i>	<i>Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Shareholders' Equity (Deficiency)</i>
	<i>Number of Shares</i>	<i>Amount</i>					
Balance, May 31, 2021	37,382,028	\$ 12,498,754	-	\$ 784,371	\$ (8,471,792)	\$ 654	\$ 4,811,987
Addition in the period	125,000	20,625	-				20,625
Net Loss for the period	-	-		-	(189,858)	-	(189,858)
Translation adjustment	-	-		-	-	(2,488)	(2,488)
Balance, August 31, 2021	37,507,028	\$ 12,519,379	-	\$ 784,371	\$ (8,661,650)	\$ (1,834)	\$ 4,640,266
Balance, May 31, 2020	5,376,994	\$ 4,749,373	5,000	\$ 100,629	\$ (6,228,578)	\$ -	\$ (689,834)
Addition in the period	2,000,000	100,000	23,875				123,875
Net loss for the period	-	-		-	58,074	-	58,074
Translation adjustment	-	-		-	-	2	2
Balance, August 31, 2020	7,376,994	\$ 4,849,373	28,875	\$ 100,629	\$ (6,170,504)	\$ 2	\$ (507,883)

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

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

General business description

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

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

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

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

Working capital deficiency	August 31, 2021	May 31, 2021
Working capital	\$ 1,516,605	\$ 1,972,299
Deficit	\$ (8,661,650)	\$ (8,471,792)

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by 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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 2 – BASIS OF PREPARATION

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 condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 1, 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 Incorporation	of 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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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 August 31, 2021 and August 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).

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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 TSX Venture Exchange 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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2021

(Expressed in Canadian dollars)

(Unaudited – See Notice)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

ii) **Measurement**

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in 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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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 JUDGEMENTS, 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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2021

(Expressed in Canadian dollars)

(Unaudited – See Notice)

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS –CONT'D

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. During the period ended August 31, 2021, 290,000 Aztec common shares were sold for \$93,697 leaving the Company's holdings at August 31, 2021 at Nil (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:

	Santa Barbara Colombia, SA	Atocha (Falan) Colombia, SA	Total
Balance, May 31, 2020	\$ -	\$ -	\$ -
Additions			
Acquisition cost	1,430,000	950,000	2,380,000
Automobile	1,994	290	2,284
Consulting and Geologists	45,223	57,872	103,095
Exploration, lab and survey	53,592	52,706	106,298
Equipment, tools and materials	15,866	100	15,966
Legal	7,460	7,460	14,920
Repairs and maintenance	2,930	-	2,930
Travel and accommodations	3,147	289	3,436
Taxes	415	-	415
Sample	-	298	298
Wages, benefits and contractors	53,259	43,106	96,365
Gold Sample (recovery)	(57,308)	-	(57,308)
Foreign currency translation	334	334	668
Total acquisition and exploration costs during the year	<u>1,556,912</u>	<u>1,112,455</u>	<u>2,669,367</u>
Balance, May 31, 2021	<u>\$ 1,556,912</u>	<u>\$ 1,112,455</u>	<u>\$ 2,669,367</u>
Additions			
Automobile	2,219	2,510	4,729
Consulting and Geologist	-	13,975	13,975
Exploration, lab and survey	660	10,497	11,157
Equipment, tools and materials	8,459	1,414	9,873
Rent	-	3,135	3,135
Repairs and maintenance	8,015	606	8,621
Travel and accommodations	5,922	11,386	17,308
Taxes	61	11,434	11,495
Wages, benefits and contractors	103,895	99,380	203,275
Effect of foreign currency translation	921	920	1,841
Total acquisition and exploration cost during the period	<u>130,152</u>	<u>155,257</u>	<u>285,408</u>
Total acquisition and exploration costs during the year			
Balance, August 31, 2021	<u>\$ 1,687,064</u>	<u>\$ 1,267,712</u>	<u>\$ 2,954,776</u>

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS – CONT'D

a) 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.

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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31,		May 31,
	2021		2021
Trade accounts payable	\$ 127,817	\$	214,282
Accrued liabilities	66,000		66,000
	\$ 193,817	\$	280,282

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.

b) Issued Common Shares

During the period ended August 31, 2021, the Company has issued a total of 125,000 shares of its capital stock, as follows:

- i) 125,000 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.

During the period August 31, 2021 options outstanding were as follows:

- 3,350,000 shares purchase option at an exercise price of \$0.215 per share until June 24, 2026.
- 150,000 shares purchase option at an exercise price of \$0.265 per share until July 15, 2026

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 9 – SHARE CAPITAL – CONT'D

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

	Options Outstanding Numbers	Weighted average exercise price \$
Balance, June 1, 2021	-	-
Options granted	3,350,000	0.215
Option granted under compensation	150,000	0.265
Balance, August 31, 2021	3,500,000	0.217

d) Warrants

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

- 2,700,000 share purchase warrants at an exercise price of \$0.165 per share until September 15, 2022.
- 8,343,089 share purchase warrants at an exercise price of \$0.30 per share until January 14, 2023.
- 856,911 share purchase warrants at an exercise price of \$0.30 per share until January 25, 2023
- 207,382 share purchase warrants at an exercise price of \$0.30 per share until April 23, 2022
- 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 August 31, 2021 is presented below:

	Warrants Outstanding Numbers	Weighted average exercise price \$
Warrants issued under Finder's fee	207,382	0.30000
Warrants issued under private placement	14,715,017	0.30392
Balance, August 31, 2021	14,922,399	0.30387

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 10 – RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes the Company’s directors. Key management compensation for the periods ended August 31, 2021 and August 31, 2020, comprised:

	August 31, 2021	August 31, 2020
Director fees	\$ 600	\$ -
Consulting fees	52,500	15,000
	\$ 52,500	\$ 15,000

Other related party transactions

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

- a) The Company paid management fees of \$NIL (August 31, 2020 - \$15,000) to a company controlled by a director. As of August 31, 2021, \$NIL (May 31, 2020 – \$99,000) was payable to this company and is included in accounts payable and accrued liabilities. 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.

- b) The Company incurred legal fees of \$18,000 (August 31, 2020 - \$23,250) to a law firm of which a director of the Company is a principal. As at August 31, 2021, the Company had a balance payable of \$43,000 (May 31, 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.

- c) As of August 31, 2021, the Company owed \$NIL (May 31, 2020 - \$99,000) to a company controlled by a director 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 \$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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 10 – RELATED PARTY TRANSACTIONS – CONT'D

- d) During the period August 31, 2021, the Company paid consulting fee of \$22,500 (May 2020 – NIL) to a director of the Company. As of August 31, 2021 the Company had a balance payable of \$10,403 (May 31, 2020 - \$2,903) to this director of the Company, which was included in due to related parties.
- e) As at August 31, 2021, the Company owed \$NIL (May 31, 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.
- f) As of August 31, 2021, the Company owed \$483 (May 31, 2021 - \$483) to a former director of the Company, who resigned on September 28, 2012, which is included in accounts payable and accrued liabilities.
- g) As at August 31, 2021, the Company paid consulting fee of \$30,000 to a company owned by a director of the Company.
- h) As at August 31, 2021, The Company owed \$16,350 (May 31, 2021 - \$16,350) to a former director of the Company.

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

NOTE 12 – SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASHFLOW

There are no other material non-cash transactions need to be reported.

NOTE 13 – SEGMENTED INFORMATION

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

Geographic information of identifiable assets is as follows:

	August 31, 2021	May 31, 2021
Identifiable Assets:		
Equipment		
United States	\$ -	\$ -
Exploration and evaluation assets		
Colombia	2,954,776	2,669,367
	\$ 2,954,776	\$ 2,669,367

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

NOTE 14 – COMMITMENTS

In May 2021, the Company signed a marketing service agreement with CapWest Investment Corp. (“CapWest”) for marketing, public relations and advisory services, the Company agreed to pay fees of \$150,000 for an initial 2 month term and paid \$50,000 during the year ended May 31, 2021. Subsequent to May 31, 2021, the Company and CapWest mutually agreed to extend the payment terms to provide for a further payment of \$50,000 in the quarter ended August 31, 2021 (paid) with the remaining \$50,000 to be paid in the second quarter of fiscal 2022.

Pursuant to a Financial Services Agreement entered into in May 2021, the Company 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 1 quoted 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 August 31, 2021, the Company had a cash balance of \$1,688,701 to settle current liabilities of \$274,553. 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.

BAROYECA GOLD & SILVER INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2021
(Expressed in Canadian dollars)
(Unaudited – See Notice)

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 August 31, 2021, the carrying value of the financial instruments approximates their fair values.

NOTE 15 – FINANCIAL RISK FACTORS – CONT'D

e) Interest rate risk

The Company has short-term deposit balance of \$Nil as at August 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 August 31, 2021, the shareholders' equity was \$4,640,266. 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 period ended August 31, 2021.