

BAROYECA GOLD & SILVER INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended May 31, 2020

Background

The following discussion and analysis, prepared as of October 13, 2020, should be read together with the audited consolidated financial statements for the year ended May 31, 2020 (the "Financial Statements") and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

These audited consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Boroyeca Gold & Silver de Mexico S.A. de C.V. All inter-company transactions and balances have been eliminated. At May 31, 2020, the Company ceased to consolidate the accounts of its subsidiaries, Tombstone Gold & Silver Inc. and Tombstone Resources Inc., both Arizona, USA companies (the "Tombstone Subsidiaries") due to their transfer in September 2020 to the lender of the Loan Payable (See Note 9 to the Financial Statements) as settlement of the outstanding Loan and accrued interest and penalties. The interest of the Company in these subsidiaries has been reflected as "Investments to be disposed of" in these Financial Statements. For comparative purposes, the Company has deconsolidated the results of the operations of the Tombstone Subsidiaries for the year ended May 31, 2019 from its May 31, 2020 audited consolidated financial statements.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Overview

Baroyeca Gold & Silver Inc. (the "Company") was incorporated on February 17, 2006 and commenced business at that time. The Company is a mineral exploration and evaluation company with no revenue generating operations, other than some incidental revenue from the sale of gravel from its Tombstone Properties which is reported as a recovery of costs incurred on those properties. Accordingly, any funds raised for the Company's operations are through the sale of shares of its capital stock or from debt financing. The Company's fiscal year end is May 31. The Company is listed on the TSX Venture Exchange under the symbol **BGS**.

During the 2012 fiscal year, the Company reviewed and acquired certain patented mineral claims and unpatented lode claims situated near Tombstone, Arizona, U.S.A. (the "Tombstone Property"). During the 2018 fiscal year, the Company granted an option to Aztec Minerals Corp. to acquire up to a 75% undivided interest in the Tombstone Property which option continues in good standing.

During the 2020 fiscal year, the Company entered into two agreements, each to acquire a 100% interest in a mineral property located in Colombia, South America and known respectively as the Santa Barbara Property and the Falan Property (collectively the "Colombian Properties").

Results of Operations

Description of Properties

The Tombstone Properties

Pursuant to purchase and sale agreements entered into in May, 2011, the Company acquired several parcels of historic patented mining claims near Tombstone, Arizona, which comprised several former operating silver mines, on which the Company planned to conduct further exploration. The purchase price was in the order of US\$696,000 which included certain equipment and an office facility located on the property. Further to its intentions for the Property, the Company engaged a geological consultant who issued a report recommending a two phase program of exploration and drilling of the pit from the former Contention Mine at a cost of \$2,100,000. Due to very difficult market conditions that persisted for several years, the Company was unable to raise the funds to conduct the recommended program.

In addition to the mineral potential of the purchased claims, the property contained a quantity of stockpiled construction aggregate material created as a by-product of previous mining operations. While funds could not be raised to carry out the exploration program, the Company decided to focus on developing and growing the aggregate business. In 2013, the Company secured a loan to acquire a crushing plant to increase the variety of aggregate it could offer for sale (See Note 9 - Loan Payable in the Financial Statements). Although the Company was able to secure sales of aggregate each year since 2013, the Company never experienced the growth in the business that had been anticipated primarily due to a general economic downturn and drop off in State and Federal infrastructure programs for roads and highways in the area. The level of revenues generated by the aggregate business did not allow the Company to service the debt represented by the Loan Payable and following the 2020 year end, the creditor called the Loan and the Company was required to transfer the Tombstone Subsidiaries to the creditors in settlement of the outstanding debt. The assets transferred thereby to the creditors include the remaining interest in the Tombstone Property. The Company and the creditors also agreed to sell the 400,000 shares of Aztec Minerals Corp. received by the Company pursuant to the option agreement and apply the proceeds to other outstanding obligations of the Tombstone Subsidiaries at the settlement date.

Option to Aztec Minerals Corp.

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 the Tombstone 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.

During the year ended May 31, 2019, Aztec incurred sufficient exploration expenses (minimum required \$50,000) on the property, paid the Company the cash payment required in the first year (\$30,000) and issued the Company the shares in its capital (100,000 shares) necessary to maintain the Option in good standing.

During the period ended May 31, 2020, Aztec incurred additional exploration expenses of at least \$300,000, the minimum required, paid the Company an additional \$30,000 in cash (the required payment in the second year of the Option) and issued to the Company an additional 300,000 shares in its capital stock all as required to maintain its Option in good standing.

The Colombian Properties

Santa Barbara Property

The Santa Barbara Property consists of 110.86 hectares located in the Municipality of San Martín de Loba, in Bolivar Department, Colombia. The purchase includes a facility that is being used to carry out bulk sampling on the Property. All permits are in place to conduct the sampling activities on the Property. The Property is subject to a 2.5% NSR retained by the optionor.

Pursuant to the terms of the option agreement, to earn a 100% interest in the Santa Barbara Property, subject to the royalty, the Company must make cash payments of \$1,700,000 and issue 7,000,000 common shares in the capital of the Company to the optionor, and must incur expenditures of \$1,000,000 on the Santa Barbara Property in the first year of the option.

Falan Property

The Falan Property consists of 2,859.21 hectares, located in the Municipality of Falan, in Tolima Department, Colombia. Although substantially larger than the Santa Barbara Property, the Falan Property is less advanced, work being at the exploration stage. The Falan Property is subject to a 3.5% NSR payable to an underlying vendor of the Property to the optionor

Pursuant to the terms of the option agreement, to earn a 100% interest in the Falan Property, the Company must make cash payments of \$1,000,000 and issue 5,000,000 common shares in the capital of the Company to the optionor over the term of the option. The Company will have to conduct, at a minimum, sufficient exploration work on the Property to keep it in good standing under the Colombian regulatory requirements.

Expenditures

Tombstone Properties

During the year ended May 31, 2013, the Company engaged a party to monitor the property and to negotiate and supervise, as needed from time to time, the sale and loading and weighing of aggregate from the property for use in roads and other construction projects. The Company received \$190,385 in sales of aggregate during that year, which was offset in the financial statements against the expenses incurred on the property.

In June 2013, the Company acquired a crushing plant for use in its aggregate operations in order to be able to provide a broader variety of product to the market. In the same month, the Company successfully bid to be accepted as a supplier of aggregate to Cochise County, Arizona. Unfortunately, the County activities were slower than anticipated during the year ended May 31, 2014 with sales amounting to a total of only \$214,124 during that year. Sales were a little stronger during the year ended May 31, 2015, amounting to a total of \$278,993, but were very soft in the year ended May 31, 2016, amounting to sales of only \$129,309. Aggregate sales for the year ended May 31, 2017 improved as compared to 2016, amounting to \$327,206 for the period. Aggregate sales for the year ended May 31, 2018 amounted to \$276,820, for the year ended May 31, 2019 amounted to \$149,647 and for the year ended May 31, 2020 totalled \$162,392 all of which amounts were offset in the consolidated financial statements for the respective periods as a recovery of expenses incurred on the property.

Details of the expenditures for the years ended May 31, 2019 and 2020 can be seen in Note 5 to the Company's audited consolidated financial statements for the year ended May 31, 2020.

Colombian Properties

The Company entered into the option agreements to acquire these Properties near the end of the 2020 year. The Company did not incur any expenses with respect to these properties until after the fiscal year end.

SELECTED FINANCIAL DATA

The following table presents audited selected financial information for the years indicated and unaudited information for the stub periods indicated.

	Years Ended May 31		
	2020 \$	2019 \$	2018 (Note 1) \$
OPERATIONS:			
Revenue	Nil	Nil	Nil
Net Gain (Loss) from continued operations for the Year	143,657	(164,094)	(862,261)
Comprehensive Gain (Loss) from continued operations for the Year	150,039	(162,236)	(873,723)
Basic and diluted gain (loss) per share, including discontinued operations	(0.004)	(0.07)	(0.18)
BALANCE SHEET:			
Working capital (deficit)	(690,075)	(2,989,216)	(2,707,445)
Total assets	129,182	564,150	630,816
Total exploration and evaluation assets	-	500,000	570,446

Note 1: Financial information from year ended May 31, 2018 includes results from discontinued operations.

The financial information presented in the table above is from the Company's financial statements prepared in accordance with International Financial Reporting Standards. The reporting currency for all periods is Canadian dollars.

General and Administrative

Discussion of Operating Results – year ended May 31, 2020

During the year ended May 31, 2020, the Company incurred a net gain from continued operations of \$143,657 as compared with net loss of \$164,094 for the year ended May 31, 2019. The gain experienced in 2020 as compared to 2019 is primarily due to a gain of \$1,204,708 realized on the settlement of debts with certain consultants and related parties as offset by one-time losses of \$1,006,388 realized, net of foreign exchange gains, on the write-off of investments and intercompany loans on the deconsolidation of the Tombstone Subsidiaries. Removing these one-time transactions from the results for 2020 year leaves there no significant difference in the results for the two years.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters ended May 31, 2020.

	May 31 2020 \$	Feb. 29 2020 \$	Nov. 30 2019 \$	Aug. 31 2019 \$	May 31 2019 \$	Feb. 28 2019 \$	Nov. 30 2018 \$	Aug. 31 2018 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	N/A	(50,019)	(55,459)	(55,924)	N/A	(55,442)	(55,056)	46,844
Basic and Diluted (Income)Loss/Share	Note (1)	(0.01)	(0.01)	(0.01)	Note (1)	(0.00)	(0.00)	0.00

Note 1. The results for these quarters have been prepared on the basis of the deconsolidation of the results of the Tombstone Subsidiaries which results are still reflected on the consolidated basis in the other periods.

The financial information presented in the table above is from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards.

Discussion of Operating Results – three months ended May 31, 2020

This period is unable to be analysed. See Note 1 to the table above.

Discussion of Operating Results – three months ended February 29, 2020

During the three months ended February 29, 2020, the Company incurred a net loss of \$50,019 as compared with net loss of \$55,442 for the three months ended February 28, 2019. The decrease in the loss of \$5,423 in 2020 is primarily due to: a decrease of \$5,354 in professional fees; a decrease of \$2,670 in travel and promotion expenses as a result of reduced activity in the 2020 period; a decrease of \$1,703 in insurance expenses and a decrease of \$1,612 in finance costs in the period; all as offset by increases of \$3,420 in bank charges; and \$3,032 in transfer agent and filing fees during the 2020 period.

Discussion of Operating Results – three months ended November 30, 2019

During the three months ended November 30, 2019, the Company incurred a net loss of \$55,459 as compared with net loss of \$55,056 for the three months ended November 30, 2018. The minor increase in the loss of \$403 in 2019 is primarily due to a number of offsetting increases and decreases in expenses in the 2019 period as follows: an increase of \$2,364 in professional fees due to the Company's audit being carried out during the period; an increase of \$1,630 bank charges during the 2019 period; and minor increases of \$261 in office and miscellaneous expenses and \$182 in transfer agent and filing fees in the 2019 period; all as offset by decreases of \$1,997 in finance costs, \$1,265 in insurance expenses and \$1,048 in travel and promotion expenses during the period.

Discussion of Operating Results – three months ended August 31, 2019

During the three months ended August 31, 2019, the Company incurred a net loss of \$55,818 as compared with net income of \$46,844 for the three months ended August 31, 2018. The turn-around in 2019 to a loss from the gain recorded in 2018 is primarily due to a one-time gain of \$91,781 realized in the 2018 period on the sale of equipment no longer required for the Company's operations. Removing that gain from the results for 2018 leaves the 2018 period with a loss of \$45,756. Compared to this figure,

the increased loss in 2019 is primarily due to: an increase of \$5,374 in transfer agent and filing fees due to activities carried out during the period, including the processing of the Company's share consolidation; an increase of \$2,744 in office and miscellaneous and \$2,554 in professional fees all due to increased activity in the Company during the period; and small increases of \$742 in finance costs, \$649 in bank charges and \$485 in insurance costs; all as offset by a decrease of \$2,388 in travel and promotion expenses during the period.

Investor Relations

No investor relations activities were undertaken by or on behalf of the Company during the period and no investor relations arrangements or contracts were entered into by the Company during the period.

Liquidity and Capital Resources

The Company has minor ongoing operating revenues from its aggregate operations on its Tombstone Property (reflected in the consolidated financial statements as an offset to expenditures on exploration and evaluation assets in Note 5 to the statements) and finances its operations principally through the sale of shares in its capital and through loans secured against its equipment and other assets. In the short-term, directors of the Company have, in the past, provided cash advances to meet urgent operating needs. At June 1, 2019, the Company had a working capital deficit of \$2,989,216.

Subsequent to May 31, 2020, the creditors with respect to the Company's Loan Payable (See Note 8(g), Note 9 and Note 19 to the audited consolidated financial statements at May 31, 2020), called the debt and exercised against the security in all the assets of the Tombstone Subsidiaries. In settlement, the Company transferred to the creditors all the shares of the Tombstone Subsidiaries. As a result the Company was required to deconsolidate the Tombstone Subsidiaries from its financial statements and write off its investment in those companies and the intercompany loans that had been made to them.

Additionally, effective as of May 31, 2020, the Company agreed to settle debts outstanding to certain consultants and related parties in the order of \$1,329,069 for 6,000,000 shares of the Company at a deemed value of \$0.0825 per share, subject to shareholder approval to the transaction (See Note 19 to the Financial Statements).

As a result of the foregoing activities, amongst other things, at May 31, 2020, the Company had a working capital deficit of \$690,075.

Subsequent to the year end, the Company completed two private placement offerings of its securities. This first, an offering of 2,000,000 of its common shares at \$0.05 per share raised \$100,000 for the Company and closed August 13, 2020. The second, an offering of 3,000,000 units of the Company's securities at a price of \$0.0825 per unit raised \$247,500 for the Company and closed September 15, 2020. Each unit in this offering consisted of one common share and one non-transferable share purchase warrant (a "Warrant"), each such Warrant entitling the holder to acquire one additional common share at a price of \$ 0.165 per share for two years.

The proceeds from these private placements has provided funds for the Company's corporate administration and to cover certain of the cost of conducting due diligence on the Colombian Properties. The provisions of those option agreements require significant funds to meet the cash payments and work commitment obligations over the next two years. The agreements anticipate the Company carrying out a significant financing in the order of \$5,000,000 to fund those obligations and provide working capital.

The Company will require additional financing to provide all the working capital necessary to meet its requirements. There can be no assurance that the Company will be able to sell any further, or sufficient, securities by way of private placement to raise the required additional working capital.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

The Company had the following related party transactions during the year ended May 31, 2020:

- a) Management fees of \$60,000 were accrued to Mercap Investments Inc., a private company owned 50% by Richard Wilson, President, CEO and a director of the Company;
- b) Professional fees of \$22,200 were accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal;
- c) \$206,805 of the loan payable of \$369,298 (US\$275,000) was made to the Company through a partnership of individuals including William Carr, a director of the Company, who is also the manager of the partnership. \$32,055 of the finance costs incurred during the period (2019 - \$39,624) were incurred with respect to the portion of the loan advanced by the partnership. Refer to Notes 9 and 10 of the audited consolidated financial statements for the year ended May 31, 2020 for further particulars; and
- d) A company controlled by William Carr, a director of the Company advanced \$Nil (2019 - \$16) to the Company in the form of a line of credit which has been used for exploration and evaluation assets. The outstanding balance bears interest at 18% per annum and is repayable on demand.

Financial Instruments

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, due to related parties, loan payable and advance payable. The fair value of the Company's accounts payable and accrued liabilities, due to related parties, line of credit and loan payable, are estimated by management to approximate their carrying values based on the immediate or short-term maturity of these instruments. Cash is recorded at fair value using Level 1 quoted prices in active markets for identical assets or liabilities and, in management's opinion, the Company is not exposed to significant interest or credit risk from these financial instruments. Please refer to Note 12 of the audited consolidated financial statements for detailed discussion of the financial risk factors.

New accounting standards adopted

IFRS 16- Leases

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

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 June 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains

a lease at 1 June 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. As the leased equipment was included in the deconsolidated US Subsidiaries, the application of IFRS 16, Leases had no impact to the Company's consolidated financial statements.

Leases previously accounted for as operating leases

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

The Company also applied the available practical expedients wherein it:

Leases

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

Measurement of Lease Receivable

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

Accounting standards, amendments and interpretations not yet effective

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

Particulars of Outstanding Securities of the Issuer

As at the dates noted below, the Company had the following securities outstanding:

Common Shares

Date	Number Outstanding
May 31, 2020	5,376,994
October 13, 2020	10,376,994

Share Purchase Warrants

The following Share Purchase Warrants, each entitling the holder to acquire one previously unissued common share of the Company at the prices and for the periods of time set out in the table below are outstanding at May 31, 2020 and October 13, 2020:

Date	Number of Share Purchase Warrants Outstanding	Exercise Price per Share	Expiry Date
May 31, 2020	Nil	N/A	N/A
October 13, 2020	3,000,000	\$0.165	09/15/22

Incentive Stock Options

The following Incentive Stock Options, each entitling the holder to acquire one previously unissued common share of the Company at the prices and for the periods of time set out in the table below are outstanding at May 31, 2020 and October 13, 2020:

Date	Number of Share Purchase Warrants Outstanding	Exercise Price per Share	Expiry Date
May 31, 2020	Nil	N/A	N/A
October 13, 2020	Nil	N/A	N/A