

BAROYECA GOLD & SILVER INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Six Months Ended November 30, 2020

Background

The following discussion and analysis, prepared as of January 29, 2021, should be read together with the unaudited condensed interim consolidated financial statements for the six months ended November 30, 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 unaudited condensed interim 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 11 to the Financial Statements) as settlement of the outstanding Loan and accrued interest and penalties. For comparative purposes, the Company has deconsolidated the results of the operations of the Tombstone Subsidiaries for the year ended May 31, 2020, for purposes of the balance sheet, and for the six months ended November 30, 2019 for the remaining 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. The Company's remaining interest in the Tombstone Property was transferred to the lender pursuant to the Loan Payable (See Note 11 to the Financial Statements) on September 25, 2020.

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.

On September 25, 2020, the Company transferred the shares of the Tombstone Subsidiaries to the lender under the Loan Payable which included the title to the Tombstone Property registered to the Tombstone Subsidiaries.

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 \$1,750,000 and issue 7,000,000 common shares in the capital of the Company to the optionor, and must incur expenditures of \$500,000 on the Santa Barbara Property in the first year of the option.

Falan Property

The Falan Property consists of 2,585.94 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 \$1,050,000 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, 2020 and the current period can be seen in Note 4 to the Company's unaudited condensed interim consolidated financial statements for the six months ended November 30, 2020.

Colombian Properties

Details of the expenditures the Company incurred in the six months ended November 30, 2020 with respect to these properties are set out in the table in Note 4 to the unaudited condensed interim consolidated financial statements.

SELECTED FINANCIAL DATA

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

	Six Months Ended		Years Ended May 31		
	November 30	November 30			2018
	2020	2019	2020	2019	(Note 1)
	\$	\$	\$	\$	\$
OPERATIONS:					
Revenue	Nil	Nil	Nil	Nil	Nil
Net Gain (Loss) from continued operations for the Period	(154,845)	(111,277)	143,657	(164,094)	(862,261)
Comprehensive Gain (Loss) from continued operations for the Period	(154,845)	(110,551)	150,039	(162,236)	(873,723)
Basic and diluted gain (loss) per share, including discontinued operations	(0.02)	(0.02)	(0.04)	(0.07)	(0.18)
BALANCE SHEET:					
Working capital (deficit)	(557,334)	(3,148,238)	(690,075)	(2,989,216)	(2,707,445)
Total assets	(656,631)	590,671	129,182	564,150	630,816
Total exploration and evaluation assets	154,210	550,712	-	500,000	570,446

Note 1: Financial information from for the six months ended November 30, 2019 and the year ended May 31, 2018 include 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 – six months ended November 30, 2020

During the six months ended November 30, 2020, the Company incurred a net loss from continued operations of \$154,845 as compared with net loss of \$59,795 for the six months ended November 30, 2019. The increased loss experienced in the 2020 period is primarily due to: an increase in professional fees of \$55,423 representing additional legal costs incurred with the reorganization activities being undertaken by the Company; an unrealized loss of \$30,440 in the value of the shares of Aztec Minerals Corp. held by the Company, with no such loss experienced in the 2019 period; an increase of \$23,104 in transfer agent and filing fees resulting from the activities undertaken by the Company including two private placement financings, a debt settlement, the acquisition of two property options; and

miscellaneous increases of \$974 in office and miscellaneous expense and \$109 in bank charges; as offset by a reduction in management fees of \$15,000 for the period.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters ended November 30, 2020.

	Nov. 30 2020 \$	Aug. 31 2020 \$	May 31 2020 \$	Feb. 29 2020 \$	Nov. 30 2019 \$	Aug. 31 2019 \$	May 31 2019 \$	Feb. 28 2019 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	(212,919)	58,074	N/A	(50,019)	(55,459)	(27,230)	N/A	(55,442)
Basic and Diluted (Income)Loss/Share	Note (1) (0.03)	Note (1) 0.01	Note (1)	(0.01)	(0.01)	Note (1) (0.01)	Note (1)	(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 November 30, 2020

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

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

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

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.

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 no revenue generating operations and finances its operations principally through the sale of shares in its capital. In the short-term, directors of the Company have, in the past, provided cash advances to meet urgent operating needs. At September 1, 2020, the Company had a working capital deficit of \$554,334.

Subsequent to May 31, 2020, the creditors with respect to the Company's Loan Payable (See Note 6(g), Note 11 and Note 13 to the unaudited condensed interim consolidated financial statements at August 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 13 to the Financial Statements). The Company held an Extraordinary General Meeting of its shareholders on December 4, 2020 at which shareholders disinterested in the transaction ratified confirmed and approved the Debt Settlement Agreements entered into by the Company and approved the issuance of the 6,000,000 shares to the creditors. Following the vote of the shareholders, the Exchange accepted the transaction for filing and the debt settlement closed on January 12, 2021.

In August, 2020, the Company completed a private placement offering of 2,000,000 of its common shares at a price of \$0.05 per share which raised \$100,000 in working capital for the Company and on September 15, 2020, the Company closed a private placement of 3,000,000 units of its securities at a price of \$0.0825 per unit raising \$247,500 in working capital for the Company, each unit consists of one common share and one non-transferable share purchase warrant with each warrant entitling the holder to acquire one additional common share at a price of \$0.30 per share for two years.

As a result of the foregoing activities, amongst other things, at November 30, 2020, the Company had a working capital deficit of \$656,633.

Subsequent to the period end, on January 25, 2021, the Company completed a further private placement offering of 9,200,000 units of its securities at a price of \$0.22 per unit which raised a further \$2,024,000 in capital for the Company. 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 \$ 0.30 per share for two years.

The proceeds from these private placements have provided funds for the Company's corporate administration and to cover certain of the cost of conducting due diligence on the Colombian Properties and covering the filing fees to the Exchange for these matters. These funds will also cover the cash payments and work commitments due under the property option agreements. The Optionor and the Company agreed on certain amendments to the option Agreements providing for the deferment of part of the cash payments until for a year so that the cash payment due on closing would now be \$400,000 for the Santa Barbara Property and \$200,000 for the Falan Property. The work commitment requirements under the agreements and the Technical Report recommended programs amount to \$500,000 for the Santa Barbara Property and \$250,000 for the Falan Property. These cash payments and exploration cost require \$1,350,000 in funds

leaving over \$650,000 from the Company's financings available for corporate general administration and other working capital requirements.

The original agreements anticipate the Company carrying out a significant financing in the order of \$5,000,000 to fund those obligations and provide working capital, however, on reviewing the requirements the Optionor agreed with the Company that the \$2,000,000 appears sufficient at this time and agreed to remove the financing pre-condition from the option Agreements.

The Company intends to carry out additional equity financing during the coming year and is working with financial advisors to that end. There can be no assurance that the Company will be able to secure additional equity financing.

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 six months ended November 30, 2020:

- a) Professional fees of \$25,000 were accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal; and
- b) The loan payable of \$379,143 (US\$275,000) 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, and an additional \$494,547 in interest and other fees under the loan agreement settled in the period through the transfer of the shares of the Tombstone Subsidiaries to the lender on September 25, 2020. Refer to Notes 11 and 12 of the unaudited condensed interim consolidated financial statements for the six months ended November 30, 2020 for further particulars.

Subsequent to the end of the period, the debt settlement with certain consultants to the Company including its four directors received approval from disinterested shareholders of the Company at a shareholder meeting held for that specific purpose and final acceptance for filing from the Exchange. The Debt Settlement closed on January 12, 2021 with the issuance of a total of 6,000,000 common shares in the capital of the Company to the creditors.

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 8 of the unaudited condensed interim 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 re-measurement 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 re-measured using the revised lease

terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the re-measurement 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 re-measurement 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 period ended November 30, 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
November 30, 2020	10,376,994
January 29, 2021	25,626,994

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 November 30, 2020 and January 29, 2021:

Date	Number of Share Purchase Warrants Outstanding	Exercise Price per Share	Expiry Date
November 30, 2020	3,000,000	\$0.165	09/15/22
January 29, 2021	3,000,000	\$0.165	09/15/22
January 29, 2021	8,343,089	\$0.30	01/14/23
January 29, 2021	856,911	\$0.30	01/25/23

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 November 30, 2020 and January 29, 2021:

Date	Number of Share Purchase Warrants Outstanding	Exercise Price per Share	Expiry Date
November 30, 2020	Nil	N/A	N/A
January 29, 2021	Nil	N/A	N/A