

BAROYECA GOLD & SILVER INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended May 31, 2021

Background

The following discussion and analysis, prepared as of September 28, 2021, should be read together with the audited consolidated financial statements for the year ended May 31, 2021 (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 - Loan Payable in the consolidated Financial Statements for the year ended May 31, 2020 (the "2020 Financial Statements"))) as settlement of the outstanding Loan and accrued interest and penalties.

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 gold from its Colombian 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 2020 Financial Statements) on September 25, 2020.

During the period, 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 Atocha Property (collectively the "Colombian Properties"). (The Atocha Property was previously referred to as the Falan Property.)

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 consolidated 2020 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. The purchase of the option to acquire the Santa Barbara Property closed during the period following acceptance for filing by the TSX Venture Exchange.

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 (\$450,000 paid) and issue 7,000,000 common shares in the capital of the Company (3,500,000 shares issued) to the optionor, and must incur expenditures of \$500,000 on the Santa Barbara Property in the first year of the option.

Atocha Property

The Atocha Property (formerly referred to as 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 Atocha Property is less advanced, work being at the exploration stage. The Atocha 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 Atocha Property, the Company must make cash payments of \$1,050,000 (\$250,000 paid) and issue 5,000,000 common shares in the capital of the Company (2,500,000 shares issued) 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

The Tombstone Properties were deconsolidated from the Company's financial statements as of May 31, 2020 and transferred to the creditors in settlement of the outstanding debt on September 25, 2020 (see note 11- Loan Payable to the 2020 Financial Statements) No expenditures by the Company were made on these properties during the current period.

Colombian Properties

During the year ended May 31, 2021, the Company closed the acquisition of the options on the Colombian properties. Pursuant to the terms of the option agreements, on closing, the Company assumed the operation of the exploration programs that had been ongoing by Malabar Gold Corp. on the properties. The expenses incurred in the period are set out in the table in Note 6 to the Financial Statements and, other than the acquisition costs, relate primarily to the exploration program on the Santa Barbara Property. Exploration costs incurred in the period totalled \$346,675 which was reduced on the Financial Statements by \$57,308 representing the value of gold produced in the period from the test plant processing material from the bulk sampling program on the Santa Barbara Property. The net exploration expenditures amounted to \$289,367.

Details of the expenditures the Company incurred in the year ended May 31, 2021 with respect to these properties are set out in the table in Note 6 to the 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.

	Years Ended May 31		
	2021 \$	2020 \$	2019 \$
OPERATIONS:			
Revenue	Nil	Nil	Nil
Net Gain (Loss) from continued operations for the Year	(2,243,213)	143,657	(164,094)
Comprehensive Gain (Loss) from continued operations for the Year	(2,242,559)	150,039	(162,236)
Basic and diluted gain (loss) per share, including discontinued operations	(0.13)	(0.004)	(0.07)
BALANCE SHEET:			
Working capital (deficit)	1,972,299	(690,075)	(2,989,216)
Total assets	5,141,205	129,182	564,150
Total exploration and evaluation assets	2,669,367	-	500,000

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, 2021

During the year ended May 31, 2021, the Company incurred a net loss from operations of \$2,243,213 as compared with net gain of \$143,657 for the year ended May 31, 2020. A significant part of this increased loss is due to a one-time adjustment for the write-off of accounts payable through the issuance of 6,000,000 shares in the capital of the Company for which, by the settlement agreements with the creditors the shares were valued at the market price at the time of the agreements which was \$0.0825 per share, but for which the IFRS accounting standards required the shares to be valued at the market price on the date of issue of the shares over 5 months later at \$0.35 per share. The difference in these values, \$0.2675 per share, for the 6,000,000 shares results in the loss on the write off of the accounts payable of \$1,605,000, a one-time charge. Even after eliminating that one-time charge, the 2021 and 2020 financial years are not really comparable. In 2020, the Company was discontinuing its operations in Tombstone, Arizona, and deconsolidating the financial results of the Tombstone subsidiaries from its financial statements. In 2021, the Company moved forward in its new direction acquiring two mineral property interests in Colombia, filing for and having the property acquisitions approved by the TSX Venture Exchange, carrying out four private placement financings to raise working capital for the Company and moving forward with the exploration of the new property interests. Management believes that comparing the results for 2020 with 2021 is not a meaningful exercise and believes that the results for the 2021 period will be more representative of ongoing operations for the Company.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters ended May 31, 2021.

	May 31 2021 \$	Feb. 28 2021 \$	Nov. 30 2020 \$	Aug. 31 2020 \$	May 31 2020 \$	Feb. 29 2020 \$	Nov. 30 2019 \$	Aug. 31 2019 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	(2,049,941)	(37,773)	(212,919)	58,074	N/A	(50,019)	(55,459)	(27,230)
Basic and Diluted (Income)Loss/Share	(0.12)	(0.02)	(0.03)	0.01		(0.01)	(0.01)	(0.01)

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, 2021

For the reasons set out above under “General and Administrative - *Discussion of Operating Results – year ended May 31, 2021*” comparison of the Company’s results of operations for the three months ended May 31, 2021 and May 31, 2020 do not lend themselves to meaningful analysis.

Discussion of Operating Results – three months ended February 28, 2021

As a result of the deconsolidation of the Company’s Tombstone operations during 2020, comparison of the results of the two quarters is not meaningful.

Discussion of Operating Results – three months ended November 30, 2020

As a result of the deconsolidation of the Company’s Tombstone operations during 2020, comparison of the results of the two quarters is not meaningful.

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

As a result of the deconsolidation of the Company’s Tombstone operations during 2020, comparison of the results of the two quarters is not meaningful.

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 June 1, 2020, the Company had a working capital deficit of \$690,075.

Subsequent to May 31, 2020, the creditors with respect to the Company's Loan Payable 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. 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.

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 \$0.165 per share for two years.

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.

On February 5, 2021, the Company closed the acquisition of options to acquire the Santa Barbara and Atocha Properties situated in Colombia, South America through the payment of cash of \$700,000 (\$450,000 - Santa Barbara and \$250,000 - Atocha) and the issuance of 6,000,000 shares in the capital of the Company (3,500,000 shares - Santa Barbara and 2,500,000 shares Atocha).

On or about April 25, 2021, the Company completed a private placement offering of 5,630,034 units of its securities at a price of \$0.30 per unit which raised a further \$1,689,010 in capital for the Company. Each unit in this offering consisted of one common share and one-half of a non-transferable share purchase warrant (a "Half Warrant"), each two Half Warrants forming a whole warrant (a "Warrant") each such warrant entitling the holder to acquire one additional common share at a price of \$0.45 per share for one year.

As a result of the foregoing activities, amongst other things, at May 31, 2021, the Company had working capital of \$1,972,299.

The proceeds from these private placements have provided funds for: the Company's corporate administration; the costs of conducting due diligence on the Colombian Properties, the filing fees to the Exchange for these matters and 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 for a year so that the cash payment due on closing would be \$400,000 for the Santa Barbara Property and \$200,000 for the Atocha Property. The

work commitment requirements under the agreements and the Technical Report recommended programs which amount to \$500,000 for the Santa Barbara Property and \$250,000 for the Atocha Property, of which the Company has incurred a total of \$346,675 in expenditures to date.

The Company requires in the order of \$500,000 in funds to complete its work commitment obligations and estimates that its corporate administrative expenses will be in the order of \$500,000 per quarter. Accordingly, the Company plans to undertake an additional equity financing during the upcoming year to meet its working capital requirements. 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 year ended May 31, 2021:

- a) Consulting fees of \$10,000 plus GST were paid to Richard Wilson, a director of the Company;
- b) Professional fees of \$119,428 were paid or accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal;
- c) 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; and
- d) The Debt Settlement Agreements entered into between the Company and each of Richard Wilson, Brian Macnish, William Carr and Douglas Eacrett, the directors of the Company, whereby each director was issued 1,200,000 shares for settlement of the debts due to them from the Company. (See Note 10- Related Party Transaction to the Financial Statements for further particulars of the settlement of debts.)

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.

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, 2021 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, 2021	37,382,028
September 28, 2021	37,507,028

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, 2021 and September 28, 2021:

Date	Number of Share Purchase Warrants Outstanding	Exercise Price per Share	Expiry Date
May 31, 2021	2,825,000	\$0.165	09/15/22
September 28, 2021	2,700,000	\$0.165	09/15/22
May 31, 2021	8,343,089	\$0.30	01/14/23
May 31 2021	856,911	\$0.30	01/25/23
September 28, 2021	8,343,089	\$0.30	01/14/23
September 28, 2021	856,911	\$0.30	01/25/23
May 31, 2021	2,815,017	\$0.45	24/08/22
September 28, 2021	2,815,017	\$0.45	24/08/22

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 May 31, 2021 and September 28, 2021:

Date	Number of Share Purchase Warrants Outstanding	Exercise Price per Share	Expiry Date
May 31, 2021	Nil	N/A	N/A
September 28, 2021	3,500,000	\$0.215	24/06/26