

# BAROYECA GOLD & SILVER INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Three Months Ended August 31, 2021

### Background

The following discussion and analysis, prepared as of November 1, 2021, should be read together with the unaudited condensed interim consolidated financial statements for the three months ended August 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 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.

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](http://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 Colombian Properties*

##### The 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 in early February 2021, 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.

#### The 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.

See “Note 6 - Exploration and Evaluation Assets” to the Company’s unaudited interim condensed consolidated financial statements as at August 31, 2021 (the “Financial Statements”) for further particulars of the terms of the two agreements.

#### *Expenditures*

##### The Santa Barbara Property

During the year ended May 31, 2021, the Company closed the acquisition of the Option on the Santa Barbara Property and assumed the operation of the exploration program on the Property that had been ongoing by Malabar Gold Corp., who granted the Option to the Company. The exploration expenses incurred on the Property to May 31, 2021 are set out in the table in Note 6 to the Financial Statements which shows that the Company incurred expenses, net of acquisition costs, of \$126,912. This amount was reduced by gold sample recoveries realized in the period, so the actual expenses incurred towards the \$500,000 work commitment under the Option was \$184,220.

In the three months ended August 31, 2021, pursuant to the table in Note 6 of the Financial Statements, the Company incurred a further \$130,152 in exploration expenses bringing the total to August 31, 2021 to \$314,372, or 60% of the required work commitment with six months remaining in the first year of the Option. For further particulars of the work conducted and results received please see the Company’s news releases dated September 14 and October 18, 2021 filed as part of the Company’s disclosure on SEDAR at [www.sedar.com](http://www.sedar.com).

### The Atocha Property

During the year ended May 31, 2021, the Company closed the acquisition of the Option on the Atocha Property and commenced a prospecting program on the property stepping out from known historic vein showings and testing a series of major vein exposures found during the first reconnaissance traverses on the Property. Exploration expenses incurred on the Atocha Property to May 31, 2021 as set out in the table to Note 6 of the Financial Statements amounted to \$162,455.

In the three months ended August 31, 2021, the Company's geological staff expanded the prospecting program over the Property, stepping out from the identified vein structures, and located a number of additional and, at times, parallel vein outcroppings. (For further particulars of the work conducted and the results obtained please see the Company's news releases dated July 6, August 4, August 12, August 30 and October 6, 2021 filed as part of the Company's disclosure on SEDAR at [www.sedar.com](http://www.sedar.com).) The results of this work were sufficiently encouraging that the Company planned and has commenced a preliminary drill program for a target of 2,000 metres of drilling on the Atocha Property. (See the Company's news release dated October 28, 2021.) Exploration expenses for the three months ended August 31, 2021 as set out in the table in Note 6 of the Financial Statements amounted to \$155,257 for a total expenditure for the first six months of the Option of \$317,712, which satisfies the \$250,000 work commitment required under the Option agreement for the Atocha Property.

### **SELECTED FINANCIAL DATA**

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

	Three Months Ended		Years Ended May 31		
	August 31	August 31			
	2021	2020	2021	2020	2019
	\$	\$	\$	\$	\$
<b>OPERATIONS:</b>					
Revenue	Nil	Nil	Nil	Nil	Nil
Net Income (Loss) for the Period	(189,858)	58,074	(2,243,213)	143,657	(164,094)
Comprehensive Income (Loss) for the Period	(192,346)	58,074	(2,242,559)	150,039	(162,236)
Basic and diluted income (loss) per share	(0.02)	0.01	( 0.13)	(0.04)	(0.07)
<b>BALANCE SHEET:</b>					
Working capital (deficit)	1,516,605	(557,334)	1,972,299	(690,075)	(2,989,216)
Total assets	4,914,819	354,939	5,141,205	129,182	564,150
Total exploration and evaluation assets	2,954,776	49,210	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 – three months ended August 31, 2021***

During the three months ended August 31, 2021, the Company incurred a net loss from operations of \$189,858 as compared with net income of \$58,074 for the three months ended August 31, 2020. The net

income experienced in the 2020 period was primarily due to an unrealized gain of \$112,000 in the value of certain securities held by the Company at that time, with no such gains in the 2021 period. Removing that gain from the results for the 2020 period, the Company would have experienced a loss of \$53,926 as compared to the loss of \$189,858 for the 2021 period. This increased loss for the 2021 period is due to: an increase of \$110,050 in consulting fees as the Company has increased its activity, appointed a new President to work with the Chief Executive Officer, both being compensated as consultants, and engaged additional consultants to provide financial and marketing services; an increase of \$20,714 in office and miscellaneous due to the additional office and administration costs associated with the Company's exploration activities in Colombia; an increase of \$8,880 in website, marketing and promotion expenses representing the Company's increase in activity and communication with its investors through establishing and maintaining a website; an increase of \$6,370 in transfer agent and filing fees resulting from the increased activity of the Company; an increase of \$3,992 in insurance expense due to the increased activity of the Company; and miscellaneous increases of \$1,837 in professional fees and \$326 in bank charges due to the increased activity of the Company; as offset by: a decrease of \$14,400 in management and director fees as a result of compensation to management being made as consulting fees in the current period.

## SUMMARY OF QUARTERLY RESULTS

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

	Aug. 31 2021 \$	May 31 2021 \$	Feb. 28 2021 \$	Nov. 30 2020 \$	Aug. 31 2020 \$	May 31 2020 \$	Feb. 29 2020 \$	Nov. 30 2019 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	(189,858)	(2,049,941)	(37,773)	(212,919)	58,074	N/A	(50,019)	(55,459)
Basic and Diluted (Income)Loss/Share	(0.02)	(0.12)	(0.02)	(0.03)	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 August 31, 2021*

Please see discussion under “Selected Financial Data-General and Administrative” above.

### *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.

Management, for the following reasons, does not believe that the results for the quarters ended May 31, 2021 and May 31, 2020 are 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 the 2020 period with the 2021 period is not a meaningful exercise and believes that the results for the 2021 period will be more representative of ongoing operations for the Company.

***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.

**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, 2021, the Company had working capital of \$1,972,299.

During the three months ended August 31, 2021, the Company expended \$192,346 in cash on its operating activities, incurred \$285,409 in exploration expenditures on its Colombian properties, placed \$50,000 of its cash in an investment account at its bank as security for the issuance of credit cards to the Company, realized \$93,697 in proceeds from the sale of marketable securities and received \$20,625 in cash from the exercise of 125,000 warrants previously issued by the Company.

As a result of the foregoing activities, amongst other things, at August 31, 2021, the Company had working capital of \$1,516,605.

The Company has ongoing work obligations pursuant to its two property option agreements of \$500,000 in the first year of the Option on the Santa Barbara Property and \$250,000 in the first year of the Option on the Atocha Property. As at August 31, 2021, the Company had incurred \$314,372 in expenditures on the Santa Barbara Property and \$317,712 on the Atocha Property. The Company needs approximately \$200,000 in working capital to complete its work commitment on the Santa Barbara Property and the Company has commenced a drilling program on the Atocha Property that is estimated to incur a minimum expenditure of approximately \$500,000. Ongoing corporate administration is expected to be in the order of \$200,000 per quarter. In addition to these working capital requirements, the Company has further cash payments due to the Optionor of the Colombian Properties that come due on the first anniversary of the closing of the acquisition of the Options in mid February, 2022. These payments amount to \$825,000 with respect to the Santa Barbara Property and \$500,000 with respect to the Atocha Property.

The Company will require additional financing to provide all the working capital necessary to meet these 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 three months ended August 31, 2021:

- a) Consulting fees of \$22,500 plus GST were paid or accrued to Richard Wilson, a director of the Company;
- b) Consulting fees of \$30,000 plus GST were paid or accrued to a private company wholly-owned by Raul Sanabria, a director of the Company; and
- c) Professional fees of \$18,000 were paid or accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal.

### **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 three months 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*

<b>Date</b>	<b>Number Outstanding</b>
August 31, 2021	37,507,028
November 1, 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 August 31, 2021 and November 1, 2021:

<b>Date</b>	<b>Number of Share Purchase Warrants Outstanding</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>
August 31, 2021	2,700,000	\$0.165	09/15/22
November 1, 2021	2,700,000	\$0.165	09/15/22
August 31, 2021	8,343,089	\$0.30	01/14/23
August 31 2021	856,911	\$0.30	01/25/23
November 1, 2021	8,343,089	\$0.30	01/14/23
November 1, 2021	856,911	\$0.30	01/25/23
August 31, 2021	207,382	\$0.30	23/04/22
November 1, 2021	207,382	\$0.30	23/04/22
August 31, 2021	2,815,017	\$0.45	23/04/22
November 1, 2021	2,815,017	\$0.45	23/04/22

*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 August 31, 2021 and November 1, 2021:

<b>Date</b>	<b>Number of Share Purchase Warrants Outstanding</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>
August 31, 2021:	3,350,000	\$0.215	24/06/26
	150,000	\$0.265	15/07/26
November 1, 2021:	3,350,000	\$0.215	24/06/26
	150,000	\$0.265	15/07/26