

BAROYECA GOLD & SILVER INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended May 31, 2018

Background

The following discussion and analysis, prepared as of September 28, 2018, should be read together with the audited consolidated financial statements for the year ended May 31, 2018 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 subsidiaries, Boroyeca Gold & Silver de Mexico S.A. de C.V., Tombstone Gold & Silver Inc. and Tombstone Resources Inc. Tombstone Gold & Silver Inc. and Tombstone Resources Inc. are both Arizona, USA companies. 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.

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 in its capital stock or from debt financing. The Company's fiscal year end is May 31.

The Company completed its initial prospectus offering ("IPO") on December 15, 2010 and was listed on the TSX Venture Exchange under the symbol **BGS**. The Company raised net proceeds \$2,564,484 through its prospectus offering and then in the first part of 2011 carried out the work program on its Mexican properties that was recommended in the technical report (the "Technical Report") described in its prospectus. Following that program the Company's consulting geologist recommended a further work program, including drilling, on the Mexican property that was undertaken during the 2012 fiscal year (for further information on its properties and the work carried out, see "Results of Operations - *Description of Properties*" below).

Copies of the Technical Report and the Company's prospectus for its IPO are both available for review under the Company's disclosure documents at www.sedar.com.

During the 2012 fiscal year, the Company reviewed and acquired additional mineral property interests, consisting of certain patented mineral claims and unpatented lode claims situated near Tombstone, Arizona, U.S.A. (the "Tombstone Property").

Results of Operations

Description of Properties

The Mexican Properties

The Company holds an interest in one mineral property situated in the Municipality of Quiriego, Sonora State, Mexico having forfeited its interest in a second property, referred to as the Option Property, at the end of its 2014 fiscal year. The remaining property, referred to herein as the Baroyeca 4 Property was acquired by the Company through staking.

The Company incorporated its own Mexican subsidiary, Boroyeca Gold & Silver de Mexico S.A. de C.V., through which it carries out its exploration activities in Mexico.

Baroyeca 4 Property

During June 2007, the Company engaged the services of Francisco Garcia Garcia, a resident Mexican citizen, to stake and make application for the Baroyeca 4 concession, comprising 7,697 hectares, contiguous with and to the north and east of the Option Property. Subsequently, the concession was granted to Francisco Garcia Garcia by the Mexican Ministry of Mines and assigned to Boroyeca Gold & Silver de Mexico S.A. de C.V., the Company's subsidiary.

As the Baroyeca 4 concession was situated within the area of interest as defined for the Option Property, the Company issued a notice to the Syndicate as provided in the Option Agreement. The Syndicate did not elect within the 30 day time frame provided in the Option Agreement to have the Baroyeca 4 Property become part of the property subject to the Option Agreement. Accordingly, it remains wholly-owned by the Company.

As at May 31, 2010, the Company had only completed preliminary surface geology including mapping and sampling over the Baroyeca 4 Property all at a cost of \$247,554. In the fall of 2009, the Company conducted a program of line-cutting and mapping to establish a grid over the property in preparation for carrying-out the programs of airborne and ground geophysics recommended as part of the Phase I work program in the Technical Report. Results of the sampling conducted on the Baroyeca 4 Property are set out under Section 10.0 Exploration of the Technical Report (available at www.sedar.com). The preliminary prospecting and sampling on the Baroyeca 4 Property were encouraging and, accordingly, the Technical Report recommended a Phase I program including trenching, sampling, prospecting, mapping and airborne and ground geophysics at an estimated cost of \$700,000 focused on the Baroyeca 4 Property. Based on results of the Phase I program, the Technical Report recommended a Phase II drilling program on the Baroyeca 4 Property at an estimated cost of \$500,000. This recommended work was carried out during the second half of 2011 fiscal year - see "Expenditures" below for further particulars.

In the six month period ended November 30, 2011 the Company wrapped-up the Phase I and Phase II programs undertaken in the winter and spring of 2011. The Company's independent consulting geologist, Linda Caron, M.Sc., P. Eng., provided a summary of the results of the work programs which the Company reported in its news release dated June 15, 2011 which is available for review under the Company's disclosure on SEDAR at www.sedar.com. The company's geologist also continued to review and obtain interpretations of the results received, including submitting a number of samples for re-assaying to assist in the interpretation. As a result of this analysis it was decided that the 2012 work program would commence with additional geophysical surveys with an expanded grid to increase the area of the Property surveyed to be followed by a drill program of in the order of 5,000 metres.

During the six months ended May 31, 2012, the Company incurred an additional \$893,841 in expenditures on its Mexican properties in preparing for and carrying out its 2012 work program. This program included geophysical programs of ground gravity and IP surveys to extend the area of the Property surveyed in the previous year, which was followed by a drilling program of combined reverse circulation and diamond that was targeted for 5,000 metres of drilling. The preparatory work was carried in January and February and the drilling commenced in early March. The Company completed in the order of ten drill holes, however, due to the difficult financial markets for junior venture companies, the Company was not able to raise all the funds it had planned in its private placement carried out during this period. Accordingly, the Company has not been able to receive all of the assay results from drill program and its consultants have not been able to analyze and interpret the results of the drilling program. Should the Company be able to raise sufficient funds, the assay results for the last part of the drill program will be acquired and the results compiled, analysed, modelled and interpreted by the Company's geological consultants. The results will be published on receiving a report from the geological consultant. Given the uncertain financial markets, there is no certainty as to when the Company may have the funds to carry this out.

Also due to the shortage of available funds, the Company is delinquent in the payment of property taxes due on the concessions in Mexico. Should the Company continue to be unable to pay the Mexican property taxes, the Company is at risk of having the concessions cancelled by the Mexican government.

Write-down of Book Values

Due to a shortage of funds, the Company has been unable to carry out any work programs on the Mexican Property over the past six years, has no formal plan to carry out work during the ensuing year, nor the funds with which to do so. In these circumstances, with the Optioned Property having been forfeited and no identified mineral resource on the Baroyeca 4 Property, at May 31, 2014, the Company wrote-off \$3,300,761 in exploration and evaluation costs that had been capitalized in the Company's financial statements with respect to the Mexican Property. During the year ended May 31, 2015, the Company wrote off further exploration and evaluation costs of \$2,175 to operations.

The Tombstone Properties

Pursuant to the terms of a purchase and sale and option agreement dated as of May 16, 2011, (the "Tombstone Option Agreement") entered into with Tombstone Development Company, of Tucson, Arizona, Dale Turner, its principal, and several affiliated companies (collectively, the "Vendor"), the Company, through its wholly-owned Arizona subsidiary, Tombstone Gold & Silver Inc, acquired a parcel of historic patented mining claims comprising in the order of 200 acres, and was granted options to acquire two additional parcels of claims contiguous to the group acquired comprising respectively an additional 135 and 150 acres. The three parcels contain the bulk of the historic patented claims on the hill just south of the town of Tombstone, Arizona. The price for the first parcel of claims was US\$250,000 in cash and the price for the two optioned parcels, also all cash, is US\$180,000 and US\$250,000 respectively. The Company and its subsidiaries had until September 17, 2011 to exercise the first option, which was exercised by Tombstone Gold & Silver Inc. ("TGSI") and Tombstone Resources Inc. ("TRI") with closing occurring on September 30, 2011. Accordingly, the Company and its subsidiaries had until November 29, 2011 to exercise the second option. On November 29, 2011, the Company and the Vendor amended the Tombstone Option Agreement to extend the exercise date for the second option to February 29, 2012. In consideration of this amendment, the Company paid US\$40,000 of the exercise price to the Vendor which the Company will forfeit if the second option is not exercised. By further amendments to the Tombstone Option Agreement agreed to with the Vendor, the closing date for the second option was extended to June 30, 2012 in consideration of which the Company paid the Vendor an additional US\$50,000 and agreed to issue the Vendor 100,000 shares in the capital of the Company at closing. The Company was unable to pay the remaining balance due of US\$160,000 by June 30, 2012 and has since received a notice of default pursuant to which the Company was to make the payment by October 19,

2012. Due to the very difficult market conditions for junior resource companies, at October 19, 2012, the Company was still without sufficient funds to complete the purchase and spoke with the Vendor who verbally agreed, due to the market conditions, to extend the deadline generally for the payment of the balance of the exercise price.

The first parcel of claims acquired by Tombstone Gold & Silver Inc. comprise, amongst others, the former Tombstone Contention Mine and the Grand Central Mine, previously operated principally as silver mines. The Company is considering further exploration of these properties.

In addition to the patented claims that were acquired or optioned to be acquired, the Company staked approximately 900 acres of claims in several packages, some contiguous and some adjacent, to the purchased and optioned properties, increasing the Company's holdings on completing the two option purchases to approximately 1,400 acres. During the year ended May 31, 2016, due to a shortage of funds, certain of these staked claims were allowed to lapse, accordingly reducing the property so held.

In conjunction with the purchase of the group of claims, the Company agreed to purchase a number of pieces of equipment and an office facility located on the properties that had been used in operations carried out by the vendor for a total of US\$176,000 which has been fully paid.

In addition to the mineral potential of the purchased claims, the property contains a quantity of stockpiled construction aggregate material created as a by-product of previous mining operations. In the current economic circumstances, the Company will be concentrating on extracting, and building the sales of, aggregate from the property as a source of cash flow for the Company.

The former owners of the claims acquired had made an application to the Arizona Department of Environmental Quality ("ADEQ") for closure of the Tombstone Contention Mine on the properties based on their decision that, at that time, the best use of the property was real estate development. Tombstone Gold & Silver Inc. ("TGS") has agreed with the vendor to carry out the requirements of the ADEQ with respect to that closure application, or otherwise resolve the matter. The Company has met with the ADEQ to discuss the conditions on the property and to develop a process to satisfy the requirements of an Aquifer Protection Plan. Such discussions are ongoing.

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. The agreement with Aztec was subject to approval by the TSX Venture Exchange (the "Exchange") and the majority of the shareholders of the Company. Shareholder approval was granted on March 8, 2018 and Exchange approval was issued on March 23, 2018.

Expenditures

Mexican Properties

Due to the shortage of working capital available to the Company for exploration programs in Mexico, no work was carried out on the Mexican Properties during the year ended May 31, 2018.

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. The sales of aggregate for the year ended May 31, 2017 were offset in the financial statements as a recovery of expenses incurred on the property. Aggregate sales for the year ended May 31, 2018 amounted to \$276,820 for the period, which amount was offset in the financial statements as a recovery of expenses incurred on the property.

Details of the expenditures for the year ended May 31 2018 can be seen in Note 5 to the Company's audited consolidated financial statements for the year ended May 31, 2018.

SELECTED FINANCIAL DATA

The following table presents audited selected financial information for the years indicated.

	Years Ended May 31		
	2018	2017	2016
	\$	\$	\$
OPERATIONS:			
Revenue	Nil	Nil	Nil
Net Loss for the Period	862,261	303,822	318,604
Comprehensive Loss for the Period	873,723	294,017	334,425
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)
BALANCE SHEET:			
Working capital (deficit)	(2,707,445)	(2,167,068)	(1,976,375)
Total assets	630,816	1,346,723	1,363,408
Total exploration and evaluation assets	570,446	1,191,283	1,154,012

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, 2018

During the year ended May 31, 2018, the Company incurred a net loss of \$862,261 as compared to a net loss of \$303,822 for the year ended May 31, 2017. The increased loss of \$558,439 in 2018 as compared with 2017 is primarily due to a one-time loss of \$572,162 taken in 2018 due to the impairment in the book value of the Tombstone Properties recognized as a result of the value being paid under the option agreement by Aztec for the 75% interest in the Properties. Removing this write-down from the results for the period, there is a decreased loss in 2018 of \$13,723 which is primarily due to: an increase of \$43,341 in foreign exchange gain during 2018 as a result of fluctuations in the value between the Canadian and U.S. dollars; a decrease of \$8,233 in depreciation expense claimed in the 2018 period due to a reduction in equipment owned; a decrease of \$7,136 in finance costs and \$6,520 in interest and bank charges during 2018 as a result of reduced interest expenses incurred in the 2018 period; and a reduction of \$1,034 in

insurance expenditures incurred during 2018 as compared to 2017; as offset by: an increase of \$18,044 in travel and promotion during 2018 as a result of increased visits to the property as part of negotiations with respect to granting an option on the property; an increase of \$11,820 in transfer agent and filing fees in part due to the private placement undertaken during the 2018 period; an increase of \$2,737 in office and miscellaneous expenses and utilities charges as a result of increased activity in 2018; an increase of \$1,029 in professional fees during the 2018 period as a result of increased legal and accounting expenses as compared to 2017; and a one-time gain of \$18,911 on the sale of equipment by the Company realized in 2017.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters ended May 31, 2018.

	May 31 2018 \$	Feb. 28 2018 \$	Nov. 30 2017 \$	Aug. 31 2017 \$	May 31 2017 \$	Feb. 28 2017 \$	Nov. 30 2016 \$	Aug. 31 2016 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Loss	38,666	664,711	83,222	75,662	124,945	67,476	46,052	65,349
Basic and Diluted (Income)Loss/Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Discussion of Operating Results- three months ended May 31, 2018

During the three months ended May 31, 2018, the Company incurred a net loss of \$38,666 as compared to a net loss of \$124,945 for the three months ended May 31, 2017. The decrease of \$86,279 in the loss incurred in the this period as compared with 2017 is primarily due to: an increase of \$43,673 in foreign exchange gain during 2018 as a result of fluctuations in the value between the Canadian and U.S. dollars; a decrease of \$25,595 in professional fees during the 2018 period as a result of decreased legal and accounting expenses as compared to 2017; a reduction of \$20,000 in the impairment expenses made in the 2018 period to correct the write-down recorded earlier in the year; a decrease of \$5,686 in interest and bank charges and \$2,148 in financing costs in 2018 reflecting lower interest and finance costs experienced in the period; a decrease of \$2,368 in office and miscellaneous and utilities expenses and penalties in 2018 as a result of decreased activity in the period; a decrease of \$2,709 in insurance expenses in 2018; and a reduction of \$1,656 in depreciation expenses claimed in 2018; as offset by: an increase of \$10,229 in transfer agent and filing fees incurred in 2018 in connection with obtaining regulatory and shareholder approvals to the grant of the option on the Tombstone Property to Aztec; an increase of \$6,993 in travel and promotion during 2018 as a result of travel involved in attending meetings regarding the option agreement with Aztec.

Discussion of Operating Results- three months ended February 28, 2018

During the three months ended February 28, 2018, the Company incurred a net loss of \$664,711 as compared to a net loss of \$67,476 for the three months ended February 28, 2017. The principal portion of this increased loss is due to the write-down of the value of the Tombstone Properties made during the current period due the value ascribed under the option agreement with Aztec for the 75% interest they are taking an option on being below the value at which the Company carries the Properties on their books.

Removing this one-time loss from the results for the period, there is an increased loss during 2018 of \$5,073 which is primarily due to: an increase of \$10,268 in professional fees during the 2018 period as a result of increased legal and accounting expenses as compared to 2017; an increase of \$6,768 in travel and promotion during 2018 as a result of travel involved in negotiating the option agreement with Aztec and attendance at the Company's annual meeting; an increase of \$1,436 in office and miscellaneous expenses in 2018 as a result of increased activity in the period; as offset by: a decrease of \$7,525 in financing costs in 2018 reflecting lower interest costs experienced in the period; a decrease of \$3,625 in transfer agent and filing fees as a result of reduced activity in these areas in 2018; a decrease of \$1,676 in bank charges and penalties during 2018 and a decrease of \$785 in depreciation expense claimed in 2018.

Discussion of Operating Results- three months ended November 30, 2017

During the three months ended November 30, 2017, the Company incurred a net loss of \$83,222 as compared to a net loss of \$46,052 for the three months ended November 30, 2016. The increased loss of \$37,170 in 2017 as compared with 2016 is primarily due to: an increase of \$12,680 in professional fees during the 2017 period as a result of increased legal and accounting expenses as compared to 2016; an increase of \$4,084 in transfer agent and filing fees in part due to the private placement undertaken during the 2017 period; an increase of \$1,960 in office and miscellaneous expenses in 2017 as a result of increased activity in 2017; an increase of \$1,800 in travel and promotion during 2017 as a result of increased visits to the property with an increase in the aggregate business; and a minor increase of \$424 in depreciation expense claimed in the 2017 period; as offset by: reductions of \$1,629 in financing costs and \$624 in insurance costs in the 2017 period.

Discussion of Operating Results –three months ended August 31, 2017

During the three months ended August 31, 2017, the Company incurred a net loss of \$75,662 as compared to a net loss of \$65,349 for the three months ended August 31, 2016. The increased loss of \$10,313 in 2017 as compared with 2016 is primarily due to; an increase of \$4,166 in finance costs during the 2017 period as a result of increased participation costs in 2017 on the equipment loan outstanding during 2017 (see Note 13 to the unaudited condensed interim consolidated financial statements for the three months ended August 31, 2017); an increase of \$3,676 in professional fees during the 2017 period as a result of increased legal and accounting expenses as compared to 2016; an increase of \$2,615 in office and miscellaneous expenses in the 2017 period; an increase of \$2,483 in travel and promotion due to an increase in activity in 2017 as compared to 2016; an increase of \$2,007 in insurance expense as result of coverage acquired with respect to the Company's operations; and an increase of \$1,132 in transfer agent and filing fees during 2017 as a result of of an increase in the use of these services; as offset by: ; a reduction of \$6,216 in depreciation expense claimed in the 2017 period due to a reduction in equipment owned.

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 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, 2017, the Company had a working capital deficit of \$2,167,068.

During the year ended May 31, 2018, the Company expended: \$262,719 in working capital on its operating activities, a total of \$289,297 on its aggregate operations on its property, from which it realized a total of \$276,820 from the sales of aggregate; and received \$26,000 from the sale of its securities by way of private placement.

As a result of the foregoing activities, amongst other things, at May 31, 2018, the Company had a working capital deficit of \$2,707,445.

The Company estimates that with contraction of its activities that have occurred due to the current shortage of operating funds, operating expenses for the ensuing the fiscal year will be in the order of \$250,000 before charges for depreciation.

The Company will require funds to satisfy its working capital deficit and make payments to the regulatory authorities with respect to assessments levied on its operations.

During the year ended May 31, 2018, the Company carried out a private placement of its securities consisting of the sale of 5,100,000 of its common shares at a price of \$0.01 per share. The funds raised are being used for working capital for the Company.

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, 2018:

- 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 \$19,800 were accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal;
- c) \$194,048 of the loan payable of \$355,755 (US\$274,757) 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. \$38,507 of the finance costs incurred during the period (2017 - \$41,918) 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, 2018 for further particulars; and
- d) A company controlled by William Carr, a director of the Company advanced \$9,079 (2017 - \$14,965) 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.

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, 2018	51,269,938
September 28, 2018	51,269,938

Share Purchase Warrants

The Company had no share purchase warrants outstanding as of May 31, 2018 or September 28, 2018, the date of this Management Discussion.

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, 2018 and September 28, 2018:

Number of Options Outstanding	Exercise Price	Expiry Date
At May 31, 2018:		
Nil		
At September 28, 2018:		
Nil		