

# BAROYECA GOLD & SILVER INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended May 31, 2022

### Background

The following discussion and analysis, prepared as of September 28, 2022, should be read together with the audited consolidated financial statements for the year ended May 31, 2022 (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.

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 fiscal year ended May 31, 2021, 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.)

On or about January 24, 2022, the Company entered into a property purchase agreement with a third party (the “Vendor”) to acquire a 215 hectare property contiguous to the Company's Santa Barbara Property and situated on strike with the identified veins that the Company is currently bulk sampling. (See “The Santa Barbara Property” below for further particulars.)

## **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 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 (\$1,275,000 paid) and issue 7,000,000 common shares in the capital of the Company (5,250,000 shares issued) to the optionor, and must incur expenditures of \$500,000 on the Santa Barbara Property in the first year of the option.

On or about January 24, 2022, the Company entered into a Property Purchase Agreement (the “PPA”) with certain private vendors (the “Vendors”) resident in Colombia, South America, whereby the Vendors agreed to sell and transfer to the Company a 100% interest in and to a mineral property, the Santa Barbara Extension, comprised of approximately 215 hectares to the south and immediately contiguous to the existing Santa Barbara Property. Pursuant to the terms of the PPA, the Company will pay the Vendors a total of US\$250,000 in cash and issue the Vendors US\$250,000 worth of shares in the capital of the Company all over three tranches, the first at closing of the transaction (which has been paid), the second upon the Colombian Mining Agency issuing an Official Resolution approving the transfer (which has been paid) and the third upon registration of the mining title to the benefit of the Company in the Colombian Mining Registry. During the period of processing the title transfer, the Company is allowed to operate the property under the terms of an autonomous exclusive operating contract. The subject property includes a past producing artisanal gold mine.

#### **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 (\$750,000 paid) and issue 5,000,000 common shares in the capital of the Company (3,750,000 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 (incurred).

See “Note 6 - Exploration and Evaluation Assets” to the Company’s May 31, 2022 Consolidated 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.

During the year ended May 31, 2022, the Company acquired an additional approximately 215 hectare property immediately contiguous to its original 110 hectare holding and on strike with the veins the Company is currently sampling and bulk sampling. Referred to as the Santa Barbara Extension, this new property contains the workings of the former Mariana artisanal gold mine which workings the Company is in the process of rehabilitating. (See the Company's news release dated April 13, 2022.)

During the year ended May 31, 2022, the Company also incurred additional exploration expenses bringing the total to May 31, 2022 to over \$600,000, more than satisfying the required work commitment of \$500,000 for the term of the Option, and made the payments in cash and shares required on the first anniversary of the option to keep the Option in good standing. For further particulars of the work conducted and results received please see the Company's news releases dated September 14, October 18, December 7, 2021 March 8, 2022, July 12, 2022 and September 12, 2022 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 amounted to \$162,455.

During the year ended May 31, 2022, 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 commenced a preliminary drill program for a target of 2,500 metres of drilling on the Atocha Property. (See the Company's news release dated October 28 and November 16, 2021, January 5, 2022 March 1, 2022, April 13, 2022 and July 13, 2022 for progress results.) Exploration expenses for the year ended May 31, 2022 exceeded \$1,400,000 for a total expenditure for the first year of the Option in excess of \$1,560,000, which more than satisfies the whole \$250,000 work commitment required under the Option agreement for the Atocha Property. The Company paid the cash and issued the shares required on the first anniversary of the Option to keep the agreement in good standing.

## SELECTED FINANCIAL DATA

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

	Years Ended May 31		
	2022	2021	2020
	\$	\$	\$
<b>OPERATIONS:</b>			
Revenue	Nil	Nil	Nil
Net Gain (Loss) from continued operations for the Year	(1,840,691)	(2,243,213)	143,657
Comprehensive Gain (Loss) from continued operations for the Year	(1,851,396)	(2,242,559)	150,039
Basic and diluted gain (loss) per share, including discontinued operations	(0.04)	(0.13)	(0.004)
<b>BALANCE SHEET:</b>			
Working capital (deficit)	1,391,198	1,972,299	(690,075)
Total assets	9,197,306	5,141,205	129,182
Total exploration and evaluation assets	7,363,673	2,669,367	-

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, 2022*

During the year ended May 31, 2022, the Company incurred a net loss from operations of \$1,840,691 as compared with net loss of \$2,243,213 for the year ended May 31, 2021. A significant part of the loss in 2021 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. After eliminating that one-time charge, the 2022 and 2021 financial years are still not fully comparable as in 2021 the Company acquired the Colombian properties near the end of its third quarter of operations and was only able to begin working with them in the last quarter of 2021 whereas the 2022 financial results reflect a whole year of active operations on its Colombian properties. Accordingly, management believes that comparing the results for 2021 with 2022 is not a meaningful exercise and believes that the results for the 2022 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, 2022.

	May 31 2022 \$	Feb. 28 2022 \$	Nov. 30 2021 \$	Aug. 31 2021 \$	May 31 2021 \$	Feb. 28 2021 \$	Nov. 30 2020 \$	Aug. 31 2020 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	(1,193,502)	(274,799)	(193,237)	(189,858)	(2,049,941)	(37,773)	(212,919)	58,074
Basic and Diluted (Income)Loss/Share	(0.02)	(0.01)	(0.01)	(0.02)	(0.12)	(0.02)	(0.03)	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, 2022***

During the three months ended May 31, 2022, the Company incurred a net loss from operations of \$1,193,502 as compared with a net loss of \$2,049,941 for the three months ended May 31, 2021. However, if the 2022 period was reduced by a year-end adjustment of \$763,053 for stock-based compensation which did not occur in 2021 and the 2021 period was reduced by a one-time write-off of accounts payable of \$1,605,000 which did not occur in 2022, the respective loss for 2022 becomes \$430,449 as compared with a loss of \$444,941 for the 2021 period. The decreased loss in the 2022 period is primarily due, amongst other things, to a decrease in advisor, consulting and director fees of \$122,860; a gain of \$43,555 on the write-off of accounts payable and a decrease in interest and bank charges of \$6,069; as offset by an increase in advertising and promotion expenses of \$98,717; an increase in office and miscellaneous expense of \$25,269; a decrease in gain on foreign exchange of \$17,870; an increase of \$9,656 in professional fees; and an increase of \$5,968 in transfer agent and filing fees.

***Discussion of Operating Results – three months ended February 28, 2022***

During the three months ended February 28, 2022, the Company incurred a net loss from operations of \$274,799 as compared with a net loss of \$37,773 for the three months ended February 28, 2021. This increase in net loss for the 2022 period is primarily due to: an increase of \$79,234 in consulting fees as the Company has increased its activity, having 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 \$51,133 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 unrealized gain of \$46,440 in the value of certain securities held by the Company during the 2021 period, with no such gain in the 2022 period; an increase of \$33,612 in office and miscellaneous due to the additional office and administration costs associated with the Company's exploration activities in Colombia; an increase of \$13,953 in transfer agent and filing fees as a result of increased activity in the Company and in the Company's market for its securities; an increase of \$8,024 in professional fees due to the general increase in activity in the Company; and miscellaneous increases of \$2,269 in insurance expenses and \$1,800 in management and directors fees due to the increased activity of the Company.

***Discussion of Operating Results – three months ended November 30, 2021***

During the three months ended November 30, 2021, the Company incurred a net loss from operations of \$193,237 as compared with a net loss of \$212,919 for the three months ended November 30, 2020. The net loss experienced in the 2020 period was primarily due to an unrealized loss of \$142,440 in the value of certain securities held by the Company at that time, with no such losses in the 2021 period. Removing

that loss from the results for the 2020 period, the Company would have experienced a loss of \$70,479 as compared to the loss of \$193,237 for the 2021 period. This increased loss for the 2021 period is due to: an increase of \$63,651 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 \$25,046 in professional fees as the Company's annual audit occurs in this period and the Company experienced a change in auditors in the period due to the more complex accounting considerations with the Company incorporating its Colombian operations, resulting in an increase in audit fees; an increase of \$23,736 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 \$22,478 in office and miscellaneous due to the additional office and administration costs associated with the Company's exploration activities in Colombia; and miscellaneous increases of \$2,877 in insurance expenses and \$1,800 in management and directors fees due to the increased activity of the Company; as offset by: a decrease of \$21,855 in transfer agent and filing fees due to the higher expenses experienced in the 2020 period resulting from the reactivation activities undertaken by the Company in the 2020 period

### ***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.

### **Investor Relations**

The Company entered into an investor relations agreement on February 2, 2022 with Peak Investor Marketing Corp. ("Peak"). Pursuant to the agreement, the Company pays Peak a monthly fee of \$12,000, in advance, and has granted Peak an incentive stock option to acquire up to 250,000 shares of the Company at a price of \$0.35 per share. The options vest as to 25% every three months following the grant of the option. The agreement is for a term of one year.

### **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 a working capital of \$1,972,299.

During the year ended May 31, 2022, the Company expended \$1,883,824 in cash on its operating activities, incurred \$3,471,978 in exploration expenditures on its Colombian properties, realized \$86,801 in proceeds from the sale of marketable securities and received \$4,776,052, net of costs, in cash from the sale of 9,189,709 units of its securities at \$0.35 per unit by way of a private placement financing, the exercise of 2,864,882 share purchase warrants previously issued by the Company and the exercise of 500,000 incentive stock options previously issued by the Company.

As a result of the foregoing activities, amongst other things, at May 31, 2022, the Company had working capital of \$1,391,198.

The Company has contracted for a 2022 - 2023 work program of up to 5000 meters of drilling on its Atocha Property in addition to an expanded program of surface sampling and other preliminary geological testing of the 70% of the Property that remains as yet unexplored. The Company also plans to actively explore and expand its bulk sampling program on the Santa Barbara Property including the newly acquired 215 hectare extension to the property to the south. Estimated costs for this planned work are in the order of \$2,500,000. Ongoing corporate administration is expected to be in the order of \$275,000 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 second anniversary of the closing of the acquisition of the Options in mid-February, 2023. These payments amount to \$475,000 with respect to the Santa Barbara Property and \$300,000 with respect to the Atocha Property. The Company has also recently paid the second tranche of the purchase price for the Santa Barbara Extension (US\$75,000) and has one remaining payment to make, the cash portion of which is US\$100,000 and is expected to come due near the end of the year.

Although the Company, at May 31, 2022, has working capital in the order of \$1,391,198, it will require additional financing to provide all the working capital necessary to meet the requirements set out above. The Company does have share purchase warrants outstanding, however, due to the current market conditions, all the Company's outstanding warrants have exercise prices well above the current trading price of the Company's shares and cannot be relied upon to be exercised to provide working capital to the Company. The Company intends to carry out a private placement financing of its securities to raise the required working capital. 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, 2022:

- a) Consulting fees of \$97,500 (2021-10,000) plus GST were paid to Richard Wilson, a director of the Company;
- b) Professional fees of \$111,110 (2021- \$119,428) were paid or accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal;

- c) The Company incurred director’s fees of \$7,200 (2021 - \$3,000) to Willam Carr, a director of the Company; and
- d) The Company incurred consulting fees of \$160,000 (2021 - \$69,314) to a company owned by a Raul Sanabria, a director of 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 15 of the audited 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, 2022 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, 2022	53,179,939
September 28, 2022	53,541,050

*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, 2022 and September 28, 2022:

Date	Number of Share Purchase Warrants Outstanding	Exercise Price per Share	Expiry Date (mm,dd,yy)
May 31, 2022	1,990,000	\$0.165	09/15/22
September 28, 2022	(Expired)	\$0.165	09/15/22
May 31, 2022	6,933,089	\$0.30	01/14/23
September 28, 2022	6,933,089	\$0.30	01/14/23

May 31 2022	756,911	\$0.30	01/25/23
September 28, 2022	756,911	\$0.30	01/25/23
May 31, 2022	4,954,853	\$0.50	02/18/23
September 28, 2022	4,954,853	\$0.50	02/18/23
May 31, 2022	298,610	\$0.50	02/18/23
September 28, 2022	298,610	\$0.50	02/18/23

*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 May 31, 2022 and September 28, 2022:

<b>Date</b>	<b>Number of Incentive Stock Options Outstanding</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>
May 31, 2022:	2,850,000	\$0.215	24/06/26
	150,000	\$0.265	15/07/26
	250,000	\$0.35	02/05/23
September 28, 2022:	2,850,000	\$0.215	24/06/26
	150,000	\$0.265	15/07/26
	250,000	\$0.35	02/05/23