

# BAROYECA GOLD & SILVER INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended May 31, 2023

### Background

The following discussion and analysis, prepared as of October 6, 2023, should be read together with the audited consolidated financial statements for the year ended May 31, 2023 (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 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 was then 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 comprised 110.86 hectares located in the Municipality of San Martín de Loba, in Bolivar Department, Colombia. The purchase included a facility that was being used to carry

out bulk sampling on the Property. All permits were in place to conduct the sampling activities on the Property. The Property was subject to a 2.5% NSR retained by the optionor. The purchase of the option to acquire the Santa Barbara Property closed during the 2020 fiscal year 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 had to 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 had to incur expenditures of \$500,000 on the Santa Barbara Property in the first year of the option.

During the fiscal year, with changes that had occurred in the government of Colombia, making it difficult to raise funds for operations in Colombia, the Company decided to terminate its operations in the country and forfeited the Option, not making the final cash payment or share issuance required under the option Agreement and returned title of the Property to the Optionor.

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 agreed to 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. During the year, the Company satisfied the terms of the purchase agreement and acquired title to the Property. With the Company’s decision to withdraw from operations in Colombia, the Company transferred the Santa Barbara Extension Property to Malabar Gold Corp. for, amongst other consideration, cash payments in the order of \$160,000.

#### The Atocha Property

The Atocha Property (formerly referred to as the Falan Property) consisted 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 was less advanced, work being at the exploration stage. The Atocha Property was 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 was to 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 was 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 5 - Exploration and Evaluation Assets” to the Company’s May 31, 2023 Consolidated Financial Statements for further particulars of the terms of the two agreements and expenditures made.

#### ***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 5 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 contained the workings of the former Mariana artisanal gold mine which workings the Company proceeded to rehabilitate. (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).

During the year ended May 31, 2023, the Company carried out further exploration activities on the property incurring over \$450,000 in additional expenditures and fully rehabilitating the Santa Barbara Extension Property (the "Extension Property"). The Company also satisfied the balance of its purchase obligations to acquire the Extension Property at a further cost of \$328,722. During May and June of 2022, the Presidential election in Colombia resulted in a change in political parties running the country. The investment community viewed this change as not favourable to mining operations continuing in Colombia. The Company found that this seriously impacted its ability to raise funds for ongoing activities in Colombia and, as mentioned above, decided to terminate its operations in Colombia, and forfeited its option on the Santa Barbara Property by not making the final cash payment and share issuance required under the Option Agreement and returned the property to the Optionor.

### 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.

During the year ended May 31, 2023, the Company carried out additional exploration work on the Property, primarily by way of drilling, and incurred further expenditures in the order of \$908,741. For the reasons set out in the last paragraph of the disclosure above regarding the Santa Barbara property, with the change in investors attitude towards exploration and mining opportunities in Colombia, the Company decided to terminate its operations in Colombia, and forfeited its option on the Atocha Property by not making the final cash payment and share issuance required under the Option Agreement and returned the property to the Optionor.

## SELECTED FINANCIAL DATA

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

	Years Ended May 31		
	2023	2022	2021
	\$	\$	\$
<b>OPERATIONS:</b>			
Revenue	Nil	Nil	Nil
Net Gain (Loss) from continued operations for the Year	(9,691,005)	(1,840,691)	(2,243,213)
Comprehensive Gain (Loss) from continued operations for the Year	(9,578,818)	(1,851,396)	(2,242,559)
Basic and diluted gain (loss) per share, including discontinued operations	(0.17)	(0.04)	(0.13)
<b>BALANCE SHEET:</b>			
Working capital (deficit)	66,745	1,391,198	1,972,299
Total assets	411,222	9,197,306	5,141,205
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, 2023*

During the year ended May 31, 2023, the Company incurred a net loss from operations of \$9,691,005 as compared with a net loss of \$1,840,691 for the year ended May 31, 2022. The bulk of the increased loss in the 2023 period is the result of a one-time write down of \$8,791,042 with respect to the Company's Colombia mineral properties. If you remove this write down from the 2023 results, the loss for the period is \$899,963 which is a decrease of \$940,728 from the 2022 period. The decreased loss for the 2023 period is due to: a decrease of \$763,053 in share-based compensation as a result of no such compensation being granted in 2023; a decrease of \$108,522 in management and consulting fees due to a reduction in the use of consultants during the 2023 period; a decrease of \$81,906 in professional fees, \$25,341 in transfer agent and filing fees, \$8,345 in advisor and director fees and \$1,109 in interest and bank charges all as a result of reduction in activity in the 2023 period; a decrease of \$49,064 in office expenses due to the termination of Colombia operations during the 2023 period; as offset by: an increase of \$58,866 in advertising, promotion and marketing incurred as part of the Company's program to increase the public awareness of the Company and expand its investor base and a minor increases of \$2,427 in interest income and \$614 in insurance expense in the period.

## SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters ended May 31, 2023.

	May 31 2023 \$	Feb. 28 2023 \$	Nov. 30 2022 \$	Aug. 31 2022 \$	May 31 2022 \$	Feb. 28 2022 \$	Nov. 30 2021 \$	Aug. 31 2021 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	(1,674,473)	(8,016,532)	(193,237)	(296,121)	(1,182,797)	(274,799)	(193,237)	(189,858)
Basic and Diluted (Income)Loss/Share	(0.03)	(0.15)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)

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, 2023***

During the three months ended May 31, 2023, the Company incurred a net loss from operations of \$1,674,473 as compared with a net loss of \$1,182,797 for the three months ended May 31, 2022. However, if the 2023 period was adjusted for a one-time write-off for impairment of its mineral properties of \$1,551,284 which did not occur in 2022, and the 2022 period was adjusted for a year-end adjustment of \$763,053 for stock-based compensation which did not occur in 2023, the respective loss for 2023 becomes \$123,189 as compared with a loss of \$419,744 for the 2022 period. The decreased loss in the 2023 period is primarily due, amongst other things, to decreases of \$137,617 in management and consulting fees, \$114,066 in advertising, promotion and marketing, \$73,963 in professional fees, \$9,545 in advisors and directors fees, \$7,927 in office expenses and \$2,692 in transfer agent and filing fees all due to the reduction in activities in the Company in connection with terminating its operations in Colombia; as offset by an increase of \$5,323 in interest and bank charges.

### ***Discussion of Operating Results – three months ended February 28, 2023;***

During the three months ended February 28, 2023, the Company incurred a net loss from operations of \$7,435,515 for the period as compared with a net loss of \$274,799 for the three months ended February 28, 2022. The Company incurred a one-time loss of \$7,239,758 in the period with respect to the write down of its mineral properties in Colombia. If we remove this one-time item from the results, there is a reduced loss in 2023 as compared with 2022. This decreased loss is primarily due to: reductions of \$31,299 in office and miscellaneous expense, \$20,634 in transfer agent and filing fees, \$11,117 in website, marketing and promotion expenses, \$9,454 in consulting fees, \$3,646 in professional fees and \$770 in bank charges representing reduced activity by the Company in the period; as offset by a minor increase of \$425 in insurance expense.

### ***Discussion of Operating Results – three months ended November 30, 2022;***

During the three months ended November 30, 2022, the Company incurred a net loss from operations of \$284,896 for the period as compared with a net loss of \$194,218 for the three months ended November 30, 2021. The increased loss in the 2022 period is primarily due to: an increase of \$96,934 in marketing, promotional and website expenses as the Company focused on increasing the public awareness of the

Company and broadening its investor base through attending and presenting at investor conferences, employing marketing service consultants and updating and enhancing the Company's website; an increase of \$23,349 in consulting fees due to an increase use of consultants during the period; and increases of \$2,585 in transfer agent and filing fees and \$789 in insurance expenses in the period; as offset by: a reduction of \$13,865 in office and miscellaneous fees, \$11,370 in professional fees and \$5,741 in bank charges and an increase of \$1022 in interest income in the period.

### ***Discussion of Operating Results – three months ended August 31, 2022***

During the three months ended August 31, 2022, the Company incurred a net loss from operations of \$296,121 as compared with net loss of \$189,858 for the three months ended August 31, 2021. The increased loss in the 2022 period is primarily due to: an increase of \$87,115 in marketing, promotion and website expense due to attendances at investor conferences to make presentations and other endeavours to raise market awareness of the Company; an increase of \$15,200 in consulting fees in part due to becoming part of the Discovery Group of Companies during the period; increases of \$7,073 in professional fees and \$4,027 in office and miscellaneous due to increased activity of the Company; as offset by a decrease of \$4,600 in transfer agent and filing fees and \$543 in insurance expense. 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 was for a term of one year and was not renewed in 2023.

### **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, 2022, the Company had a working capital of \$1,415,659.

During the year ended May 31, 2023, the Company expended \$634,531 in cash on its operating activities, incurred \$1,438,314 in exploration expenditures on its Colombian properties, received \$619,500, net of costs, in cash from the sale of 12,440,000 units of its securities at \$0.05 per unit by way of a private placement financing and received \$160,000 as proceeds on the transfer of the Santa Barbara Extension Property.

As a result of the foregoing activities, amongst other things, at May 31, 2023, the Company had working capital of \$162,164.

The Company is in the process of examining opportunities to joint venture or acquire a new mineral property interest that would serve as a property of merit for purposes of the requirements of the TSX Venture Exchange. On securing such an opportunity, the Company will require additional working capital for purchase funds and to finance exploration programs on such property. The Company does have share purchase warrants outstanding, however, due to the current market conditions, the exercise price of the Company's outstanding warrants is 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, 2023:

- a) Consulting fees of \$94,500 (2022 - \$97,500) plus GST were paid to Richard Wilson, a director of the Company;
- b) Professional fees of \$2,100 (2022 - \$111,110) were paid or accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal. The Company also incurred consulting fees of \$101,500 (2022 – Nil) to Mr. Eacrett;
- c) The Company incurred director’s fees of \$7,200 (2022 - \$7,200) to Willam Carr, a director of the Company; and
- d) The Company incurred consulting fees of \$105,000 (2022 - \$160,000) to a company owned by Raul Sanabria, a director of the Company at that time.

### **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 11 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, 2023 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>
May 31, 2023	66,484,750
September 28, 2023	66,484,750

*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, 2023 and September 28, 2023:

<b>Date</b>	<b>Number of Share Purchase Warrants Outstanding</b>	<b>Exercise Price per Share</b>	<b>Expiry Date (mm,dd,yy)</b>
May 31, 2023	12,490,000	\$0.10	02/14/24
September 28, 2023	12,490,000	\$0.10	02/14/24

*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, 2023 and September 28, 2023:

<b>Date</b>	<b>Number of Incentive Stock Options Outstanding</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>
May 31, 2023	2,650,000	\$0.215	24/06/26
	150,000	\$0.265	15/07/26
September 28, 2023:	1,400,000	\$0.215	24/06/26
	150,000	\$0.265	15/07/26