KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Expressed in US Dollars)

(Unaudited)

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US Dollars)
(Unaudited)
As at

	September 30, 2021	December 31, 2020
ASSETS		
Current		
Cash	$ 4,146,595	$ 4,904,562
Receivables	286,035	69,997
Prepaids and advances	90,112	39,178
	4,522,742	5,013,737
Advances to suppliers (Note 11)	259,437	-
Facilities and equipment (Note 7)	260,233	11,426
Exploration and evaluation assets (Note 8)	22,998,446	16,726,267
	$ 28,040,858	$ 21,751,430
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 11)	$ 1,548,706	$ 2,055,290
Related party loans (Note 11)	-	156,990
	1,548,706	2,212,280
Obligation to issue shares (Note 8)	400,000	-
Reclamation provision (Note 8)	1,206,989	51,630
	3,155,695	2,263,910
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	33,221,539	22,837,377
Reserves (Note 10)	1,359,295	1,009,988
Deficit	(9,695,671)	(4,359,845)
	24,885,163	19,487,520
	$ 28,040,858	$ 21,751,430

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 16)
Subsequent events (Note 17)

Approved on behalf of the board by:

/s/ "David Stein"
David Stein, Director

/s/ "Dale Peniuk"
Dale Peniuk, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in US Dollars)
(Unaudited)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Property expenses				
Exploration and evaluation expenditures (Notes 8 and 11)	$ 1,391,228	$ -	$ 3,044,012	$ 3,561
	1,391,228	-	3,044,012	3,561
Administrative expenses				
Administrative costs	10,714	-	32,366	-
Consulting fees	-	5,150	90,400	5,150
Directors' fees (Note 11)	21,812	-	71,590	-
Filing fees	6,113	8,852	25,275	8,852
Management fees (Note 11)	16,078	212,552	221,255	212,552
Marketing and investor relations	97,986	8,360	232,911	8,360
Office and miscellaneous	64,154	11,681	220,487	81,678
Professional fees (Note 11)	129,458	116,341	291,378	116,341
Share-based compensation (Notes 10 and 11)	116,681	8,645	456,588	25,934
Shareholder communication	1,832	486	11,870	486
Transfer agent	1,531	-	8,085	-
Travel	79,378	-	161,703	-
Wages and benefits (Note 11)	304,631	-	527,324	-
	(850,368)	(372,067)	(2,351,232)	(459,353)
Operating loss	(2,241,596)	(372,067)	(5,395,244)	(462,914)
Equity (loss) in CobalTech (Note 6)	(97,327)	-	(208,172)	-
Foreign exchange gain	34,158	-	128,851	-
Gain on write-off of accounts payable and accrued liabilities	132,196	-	132,196	-
Interest income	-	56	6,443	419
	69,027	56	59,318	419
Loss for the period	(2,172,569)	(372,011)	(5,335,926)	(462,495)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit and loss				
Foreign currency translation adjustment	(647,681)	-	(172,503)	-
Comprehensive loss for the period	$ (2,820,250)	$ (372,011)	$ (5,508,429)	$ (462,495)
Loss per common share – basic and diluted	$ (0.05)	$ (0.03)	$ (0.13)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	44,722,720	13,041,985	41,289,438	12,885,848

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in US Dollars)
(Unaudited)

	Share Capital					
	Number of shares	Amount	Share-based reserves	Foreign currency translation reserves	Deficit	Total
December 31, 2019	6,642,766	$ 3,348,913	$ 559,722	$ -	$ (682,518)	$ 3,226,117
Issuance of common shares for cash (Note 10)	7,942,203	9,807,353	-	-	-	9,807,353
Share issue costs	-	(678,044)	-	-	-	(678,044)
Share-based compensation (Note 10)	-	-	25,934	-	-	25,934
Loss for the period	-	-	-	-	(462,495)	(462,495)
September 30, 2020	14,584,969	12,478,222	585,656	-	(1,145,013)	11,918,865
Completion of RTO with Miramont (Note 4):						
Eliminate common shares of Kuya	(14,584,969)	-	-	-	-	-
Post-consolidation common shares, share capital and reserves of Miramont as at October 1, 2020	5,577,322	9,752,502	636,030	-	-	10,388,532
Eliminate pre-acquisition share capital and reserves of Miramont	-	(9,752,502)	(636,030)	-	-	(10,388,532)
Equity issued per RTO with Kuya	26,763,410	3,773,064	-	-	-	3,773,064
Miramont stock options deemed to be issued by Kuya on RTO	-	-	86,297	-	-	86,297
Miramont warrants deemed to be issued by Kuya on RTO	-	-	100	-	-	100
Issuance of common shares on acquisition of S&L Andes (Note 5)	3,929,288	6,084,497	-	-	-	6,084,497
Issuance of common shares on exercise of performance warrants (Note 10)	1,632,076	501,594	(500,778)	-	-	816
Share-based compensation (Note 10)	-	-	300,858	-	-	300,858
Foreign currency translation	-	-	-	537,855	-	537,855
Loss for the period	-	-	-	-	(3,214,832)	(3,214,832)
December 31, 2020	37,902,096	$ 22,837,377	$ 472,133	$ 537,855	$ (4,359,845)	$ 19,487,520

KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd…)

(Expressed in US Dollars)

(Unaudited)

	Share Capital					
	Number of shares	Amount	Share-based reserves	Foreign currency translation reserves	Deficit	Total
December 31, 2020	37,902,096	$ 22,837,377	$ 472,133	$ 537,855	$ (4,359,845)	$ 19,487,520
Issuance of common shares for cash (Note 10)	4,842,650	7,363,505	178,630	-	-	7,542,135
Share issue costs	-	(567,961)	-	-	-	(567,961)
Issuance of common shares on acquisition of CobalTech (Note 6)	1,437,470	2,668,079	-	-	-	2,668,079
Issuance of common shares on acquisition of exploration and evaluation assets (Note 6)	671,141	771,916	-	-	-	771,916
Issuance of common shares on exercise of options (Note 10)	50,000	63,607	(28,430)	-	-	35,177
Issuance of common shares on exercise of performance warrants (Note 10)	276,624	85,016	(84,878)	-	-	138
Warrants expired (Note 10)	-	-	(100)	-	100	-
Share-based compensation (Note 10)	-	-	456,588	-	-	456,588
Foreign currency translation	-	-	-	(172,503)	-	(172,503)
Loss for the period	-	-	-	-	(5,335,926)	(5,335,926)
September 30, 2021	45,179,981	$ 33,221,539	$ 993,943	$ 365,352	$ (9,695,671)	$ 24,885,163

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)
(Unaudited)

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Loss for the period	$	(5,335,926)	$	(462,495)
Adjust for items not involving cash:				
Depreciation		29,781		-
Share-based compensation		456,588		25,934
Equity loss in CobalTech		208,172		-
Unrealized foreign exchange loss		161,427		-
Gain on write-off of accounts payable and accrued liabilities		(132,196)		-
Change in non-cash working capital items:				
Receivables		(35,086)		-
Prepaids and advances		(26,794)		-
Accounts payable and accrued liabilities		(597,416)		244,009
Net cash used in operating activities		(5,271,450)		(192,552)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Investment in and advances to CobalTech (Note 6)		(1,213,072)		-
Advances to suppliers for capital expenditures		(263,512)		
Additions to facilities and equipment		(281,985)		-
Additions to exploration and evaluation assets (Note 8)		(293,500)		
Cash acquired through acquisition of CobalTech (Note 6)		7,555		-
Deferred acquisition costs		-		(916,876)
Net cash used in investing activities		(2,044,514)		(916,876)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of share capital		7,577,450		9,807,353
Share issue costs		(567,961)		(679,461)
Proceeds from short term credit facility		-		378,644
Proceeds from related party loans		-		222,768
Repayment of related party loans		(158,012)		(75,792)
Net cash provided by financing activities		6,851,477		9,653,512
Change in cash		(464,487)		8,544,084
Effect of foreign exchange on cash		(293,480)		-
Cash, beginning of period		4,904,562		80,078
Cash, end of period	$	4,146,595	$	8,624,162(1)

(1) includes $8,570,392 of cash in trust

Supplemental cash flow information (Note 12)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Kuya Silver Corporation (the "Company") is a mineral exploration and development company with a focus on acquiring, exploring and advancing precious metal assets in Peru and Canada. Effective October 1, 2020, Kuya Silver Corp. ("Kuya"), a privately held Canadian-based, silver-focused junior mining company, incorporated on August 9, 2017, completed a reverse takeover ("RTO") transaction with Miramont Resources Corp. ("Miramont") (Note 4). Miramont was incorporated on July 15, 2015 under the Business Corporations Act (British Columbia). As part of the RTO, Miramont consolidated its share capital on a 10:1 basis effective October 1, 2020. All share and per share amounts of Miramont and the Company in these financial statements reflect the 10:1 consolidation. Pursuant to RTO accounting, these consolidated financial statements reflect the historical financial statements of Kuya, the accounting acquirer, and reflect the RTO transaction as if Kuya acquired Miramont effective October 1, 2020. On completion of the RTO transaction, Miramont, the accounting acquiree, changed its name to Kuya Silver Corporation. The Company's head office and principal address is located at 150 King Street West, Suite 200, Toronto, ON, M5J 1J9. The Company's registered and records office is located at 40440 Thunderbird Ridge, Squamish, BC, V8B 0G1. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol KUYA (formerly MONT).

In 2017, Kuya entered into an agreement to purchase 80% of the shares of S&L Andes Export S.A.C. ("S&L Andes"), the company that holds the Bethania mining concession, a former operating silver mine in Peru that was placed on care and maintenance in 2016. In October 2020, the Company reached an agreement to acquire the remaining 20% of S&L Andes. On December 15, 2020, the Company completed the acquisition of 100% of S&L Andes and its Bethania Project (Note 5).

In February 2021, the Company entered into an agreement with Electra Battery Metals Corporation ("Electra", formerly known as First Cobalt Corp.) to acquire a portion of their silver mineral exploration assets in the historic Cobalt, Ontario silver mining district, and to form a joint venture on the balance of their silver mineral assets in the camp (Note 6).

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's continuation as a going concern is dependent upon the successful results from its business activities, its ability to obtain profitable operations and generate funds, and/or complete financings sufficient to meet current and future obligations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Although, the Company and Kuya raised capital in the current and previous reporting periods through private placements of its common shares and exercise of stock options and warrants and through Miramont's funds obtained as part of the RTO, management estimates additional funding will be required to continue current operations and further advance its existing exploration and evaluation assets in the upcoming year. These factors indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

1. NATURE OF OPERATIONS AND GOING CONCERN (cont'd…)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. In many countries, including Canada and Peru, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Company continues to manage its affairs via virtual business platforms. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020, prepared in accordance with IFRS as issued by the IASB.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on November 26, 2021.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value.

Functional and presentation currency

The condensed interim financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Kuya Silver Corporation, is the Canadian dollar, and the functional currency of each of the Company's subsidiaries is the Canadian dollar. The presentation currency of the Company is the United States ("US") dollar. Canadian dollars are represented by CAD $.

2. BASIS OF PRESENTATION (cont'd…)

Principles of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that may arise upon the exercise or conversion of non-voting securities are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are deconsolidated from the date on which control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Percentage of ownership	Principal activity
CobalTech Mining Inc. ("CobalTech")	Canada	100%	Exploration in Canada
Kuya Silver Inc.	Canada	100%	Holding company
Puno Gold Corporation	Canada	100%	Holding company (inactive)
Minera Toro del Plata S.A.C.	Peru	100%	Exploration in Peru
Kuya Silver S.A.C.	Peru	100%	Holding company
Kuya Servicios Mineros S.A.C.	Peru	100%	Service company
Minera Puno Gold S.A.C.	Peru	100%	Holding company (inactive)
Kuya Silver Panama, S.A.	Panama	100%	Holding company (inactive)

Significant estimates

The preparation of these condensed interim consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>Valuation of share-based compensation</u>

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Accounting for acquisitions

The determination of fair value as of the acquisition date requires management to make certain estimates about future events, including, but not restricted to, fair value of assets including acquired mineral reserves and resources and ore stockpiles, exploration potential, reclamation provisions, future operating costs and capital expenditures, future metal prices, long-term foreign exchange rates and discount rates as well as the determination of fair value of consideration provided.

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are, but are not limited to, the following:

Carrying value and the recoverability of exploration and evaluation assets

Management has determined that expenditures incurred on exploration and evaluation assets which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities, and existing permits.

Determination of functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment. The Company has determined the functional currency of each entity to be the Canadian dollar.

Business combinations

Determination of whether a set of assets acquired, and liabilities assumed, constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction between Kuya and Miramont was determined to be an RTO and the acquisition of assets (Note 4). The transaction with S&L Andes was determined to constitute an acquisition of assets (Note 5). The transaction with CobalTech was determined to constitute an acquisition of assets (Note 6).

2. BASIS OF PRESENTATION (cont'd…)

Significant judgments (cont'd…)

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Classification of investments as subsidiaries, joint ventures, associated companies or portfolio investments

Classification of investments requires judgement as to whether the Company controls, has joint control of, or has significant influence over the strategic financial and operating decisions relating to the activities of the investee. In assessing the level of control or influence that the Company has over an investee, management considers ownership percentages of the securities of the investee, board representation of the investee as well as other relevant provisions in shareholder or other agreements. If an investor holds or has the ability to hold 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended December 31, 2020, except as noted below.

Construction in progress

Expenditures for construction of buildings for an exploration camp are capitalized and classified as construction in progress. Once completed, the costs associated with all applicable assets related to the development and construction are reclassified to the appropriate category within facilities and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Facilities and equipment

Facilities and equipment are stated at cost less accumulated depreciation. Depreciation is provided for using the straight-line method as follows:

Facilities and leasehold improvements	2 years
Field equipment	10 years
Vehicles	5 years

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2022. These have not been applied in preparing these condensed interim consolidated financial statements.

There are no IFRS standards nor amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements of the Company, except for the following:

IAS 16, Property, Plant and Equipment – Proceeds before Intended Use

The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in the statement of earnings (loss). This amendment is effective for financial statements beginning on or after January 1, 2022, with early adoption permitted.

IAS 12, Income Taxes

The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. This amendment is effective for financial statements beginning on or after January 1, 2023, with early adoption permitted.

While management does not currently anticipate these amendments having a material effect on the Company's consolidated financial statements for 2022, they may have an effect in periods beyond 2022.

4. REVERSE TAKEOVER TRANSACTION

On June 10, 2020, Miramont, Kuya, and 2757974 Ontario Inc. ("2757974") entered into an amalgamation agreement (the "Amalgamation Agreement"). Pursuant to the Amalgamation Agreement, Miramont agreed to consolidate its share capital on a 10:1 basis and acquire all of the issued and outstanding common shares of Kuya in exchange for post-consolidation common shares of Miramont (the "Transaction"). As described in Note 1, Kuya was a privately held, Canadian based company engaged in the business of mineral exploration and development and had entered into an agreement to acquire an 80% interest in S&L Andes, the company that holds the Bethania Silver property in Peru. 2757974 was a wholly owned subsidiary of Miramont, formed solely for the purpose of facilitating the Transaction. Upon closing of the Transaction, 2757974 and Kuya amalgamated to become Kuya Silver Inc. Under the terms of the Amalgamation Agreement, Miramont and Kuya entered into the Transaction pursuant to Ontario corporate law whereby Miramont would acquire all of the issued and outstanding securities of Kuya for consideration of the issuance of 1.835 Miramont post-consolidation common shares for each Kuya share issued and outstanding (the "Exchange Ratio"). The outstanding securities of Kuya included warrants and other obligations to issue shares of Kuya, which were adjusted by the Exchange Ratio to become warrants and other obligations to issue post-consolidation common shares of the Company. Accordingly, each of the 1,040,167 outstanding warrants of Kuya would be exchanged for 1.835 warrants of the Company and the 2,000,000 shares of Kuya to be issued on closing of the purchase of S&L Andes would be exchanged for 3,670,000 shares of the Company. Outstanding post-consolidation Miramont warrants and options for option holders continuing with the Company retain their existing terms, while outstanding post-consolidation Miramont options for option holders not continuing with the Company vested on closing and the expiry dates were revised to be the earlier of their original expiry dates and one year from closing.

On October 1, 2020, Miramont issued 26,763,410 post-consolidation common shares ("Payment Shares") for the acquisition of all of the issued and outstanding shares of Kuya. The former shareholders of Kuya obtained control of Miramont and, as such, the Transaction is considered a purchase of Miramont by Kuya and is accounted for as an RTO in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. Kuya is deemed to be the acquiring company and its assets, liabilities, equity and historical operating results are included at their historical carrying values. The net assets of Miramont were recorded at fair value on the date the Transaction was completed. As Miramont does not qualify as a business according to the definition in IFRS 3 and the Transaction has been accounted for as an RTO, the sum of the fair value of the consideration paid by Kuya under RTO accounting, less Miramont's net assets acquired, has been recognized as a listing expense. All of Miramont's share capital, reserves and deficit balances immediately prior to closing of the Transaction were eliminated on closing of the Transaction. Pursuant to the RTO, the annual consolidated financial statements are for the year ended December 31, being the year-end of Kuya. The consolidated assets, liabilities and results of operations of Miramont and Kuya are included subsequent to the RTO. The consolidated financial statements are issued under the legal parent (Kuya Silver Corporation) but are deemed to be a continuation of the legal subsidiary (Kuya).

(Expressed in US Dollars)

4. REVERSE TAKEOVER TRANSACTION (cont'd…)

For accounting purposes, the Transaction was treated as an RTO. As such, effective as at the date of closing, the fair value of the consideration deemed to be paid by Kuya and the fair value assigned to Miramont's identified assets acquired and liabilities assumed are presented below:

Consideration deemed to be paid by Kuya:		
Fair value of common shares retained by Miramont shareholders		
5,577,323 common shares at CAD $0.90 per share[1]	$	3,773,064
Fair value of Miramont's stock options and warrants deemed to be issued by Kuya [2]		86,397
	$	**3,859,461**
Fair value of Miramont's net assets:		
Cash	$	1,102,761
Receivables		8,572
Prepaids and advances		17,369
Equipment		12,013
Loan receivable from Kuya [3]		376,175
Accounts payable and accrued liabilities		(112,506)
	$	**1,404,384**
Excess recorded as a listing expense	**$**	**2,455,077**

[1] the CAD $0.90 per share was the issue price of Kuya's subscription receipts financing after adjusting for the Exchange Ratio.
[2] All outstanding options and warrants of Miramont, were adjusted for the 10:1 share consolidation and were deemed to be issued by Kuya as part of the RTO. The fair value of the options for an option holder not continuing with the Company was calculated using the Black-Scholes option pricing model assuming a life expectancy of one year, a risk-free interest rate of 0.24%, a forfeiture rate of nil, and volatility of 95%. The fair value of options for directors, officers and consultants continuing with the Company were calculated using the Black-Scholes option pricing model assuming a life expectancy of 3 years, a risk-free interest rate of 0.25%, a forfeiture rate of nil, and volatility of 137%. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a life expectancy of 1/3 of a year, a risk- free interest rate of 0.24%, a forfeiture rate of nil, and volatility of 95%.
[3] Miramont provided a CAD $500,000 credit facility to Kuya that bore interest at 8% per annum and was to be repaid following closing of the Transaction.

5. ACQUISITION OF S&L ANDES

In October 2017, Kuya entered into the original share purchase agreement (the "Share Purchase Agreement") to acquire 80% of the shares of S&L Andes, a privately held Peruvian company based in Lima that owns 100% of the Bethania Silver Property (Santa Elena concession) and Chinita I concession (collectively referred to as the "Bethania Project"). S&L Andes operated the Bethania Project from 2010 to 2016, by mining ore and trucking the ore to nearby plants for processing into concentrates. S&L Andes ceased mining at the Bethania Project in 2016 and put the mine into care and maintenance at that time.

The Share Purchase Agreement was amended in February 2018, July 2018, February 2019 and June 2020, primarily to extend the closing date for completion and agree on a revised budget for where the funding provided by Kuya would be used. The financial terms from the original Share Purchase Agreement did not materially change, however the February 2019 amendment provided that the cumulative funding provided by Kuya to April 30, 2020 would be converted into shares of S&L Andes, although the shares, if issued, would be restricted until completion of the purchase.

To earn the 80% interest, Kuya was required to make payments totalling $8,000,000 and issue 2,000,000 (pre-RTO) common shares of Kuya to the owners of S&L Andes. The Share Purchase Agreement outlined the following payments to acquire the 80% interest:

- $4,500,000 investment in S&L Andes, consisting of:
    - $2,500,000 toward repayment of existing debts and liabilities of S&L Andes; and
    - $2,000,000 for working capital to fund ongoing activities of S&L Andes and the Bethania Project, including mine care and maintenance, technical studies on a mine expansion at Bethania, general and administrative expenses, and deal costs.
- $3,500,000 acquisition payment (cash) on closing of the acquisition of S&L Andes.
- 2,000,000 common shares of Kuya on closing of the acquisition of S&L Andes.

Based on the June 2020 amendment to the Share Purchase Agreement, the total investment and payments due on closing would be made no later than April 30, 2021 ("Closing Date"). If Kuya reached the Closing Date before the entire investment amount and other payments had been completed or Kuya terminated the agreement prior to the Closing Date, Kuya would receive the proportional ownership of S&L Andes based on a total valuation of $12,500,000.

As at December 31, 2019, Kuya had funded a cumulative total of $3,265,363 for S&L Andes in accordance with the Share Purchase Agreement, that was recorded as deferred acquisition costs on Kuya's statement of financial position and as a loan payable to Kuya on the statement of financial position of S&L Andes. During the period from January 1, 2020 to completion of the acquisition on December 15, 2020, Kuya funded a further $1,383,166 for S&L Andes in accordance with the Share Purchase Agreement, for an accumulated total of $4,623,213 of deferred acquisition costs. As part of closing of the acquisition on December 15, 2020, the parties agreed to apply $715,000 of the cumulative funding towards the final payment.

In October 2020, the Company agreed to acquire the remaining 20% interest in S&L Andes for a total of $1,750,000 of cash and shares.

(Expressed in US Dollars)

5. ACQUISITION OF S&L ANDES (cont'd…)

On December 15, 2020, the Company completed the purchase of 100% of S&L Andes. As consideration on closing, the Company paid $4,191,822, applied the agreed $715,000 of previous funding as an advance against the final payments and issued a total of 3,929,288 common shares, at a value of $6,084,497 or CAD $1.97 ($1.55) per share. The Company subsequently changed the name of S&L Andes to Minera Toro del Plata S.A.C.

S&L Andes did not meet the definition of a business for accounting purposes in accordance with IFRS 3. For accounting purposes, the acquisition was treated as the purchase of an asset. As such, effective as at the date of closing, the fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:		
Common shares	$	6,084,497
Cash		4,191,822
Deferred acquisition costs		4,623,213
	$	**14,899,532**

Allocated as follows:		
Receivables	$	6,280
Exploration and evaluation assets		16,755,385
Accounts payable and accrued liabilities		(1,809,688)
Reclamation provision		(52,445)
	$	**14,899,532**

6. ACQUISITION OF COBALTECH

On February 26, 2021, the Company entered into a share purchase and option agreement (the "Purchase Agreement") with Electra, a Canadian public company that owns certain silver mineral exploration assets (the "Kerr Assets"), located in north-eastern Ontario, Canada. On March 1, 2021, the transaction was completed, and the Company paid CAD $1,000,000 ($789,827) and issued a total of 1,437,470 common shares, at a value of $2,668,079 or CAD $2.35 ($1.86) per share, for a total cost of $3,457,906 for 100% of the issued and outstanding common shares and preferred shares of CobalTech. 1,000 class A shares were retained by Electra to facilitate the flow through share expenditure arrangements detailed below.

As part of the Purchase Agreement, Electra agreed to provide CobalTech with CAD $500,000 at the time of closing, for the Company to utilize on flow-through eligible expenditures prior to December 31, 2021. In order to facilitate these flow-through expenditure arrangements, Electra subscribed for 1,000 Class A shares of CobalTech. On closing, Electra maintained ownership of the Class A shares, which grant Electra the ability to appoint a majority of the directors of CobalTech, until such time as the Class A shares are redeemed, as described below. Accordingly, the Company was not considered to have control over CobalTech and instead, considered to have significant influence over the financial and operating decisions of CobalTech until the Class A shares are redeemed. The Company initially recorded its interest in CobalTech as an equity investment.

(Expressed in US Dollars)

6. ACQUISITION OF COBALTECH (cont'd…)

The Class A shares were redeemable at the option of CobalTech at a price of CAD $0.001 per Class A share. As a condition of the Purchase Agreement, the Class A shares could not be redeemed until CobalTech incurred CAD $500,000 of flow through eligible expenditures on the mineral properties comprising the Kerr Assets described above. As at September 30, 2021, CobalTech incurred the CAD $500,000 of flow-through eligible expenditures, renounced these flow-through eligible expenditures to Electra and redeemed the Class A shares. As a result, the Company obtained control and consolidated CobalTech effective September 30, 2021.

As at September 30, 2021, the Company's investment in and advances to CobalTech was $ nil (December 31, 2020 - $nil). The Company's share of the equity loss of CobalTech from acquisition on March 1, 2021 until consolidation effective September 30, 2021 was $208,172. A reconciliation of the equity investment is as follows:

	CobalTech
Equity investment	
December 31, 2020	$ -
Additions	3,457,906
Loss for the period from acquisition on March 1 to September 29, 2021	(208,172)
Adjustment on currency translation	(9,987)
Adjustment on consolidating CobalTech	(3,239,747)
Total equity investment as at September 30, 2021	-
Advances	
December 31, 2020	-
Additions	423,245
Adjustment on currency translation	(19,712)
Adjustment on consolidating CobalTech	(403,533)
Total advances as at September 30, 2021	-
Total equity investment and advances as at September 30, 2021	**$ -**

(Expressed in US Dollars)

6. ACQUISITION OF COBALTECH (cont'd…)

As at September 30, 2021, CobalTech's aggregate assets, aggregate liabilities and loss for the period from acquisition on March 1 to September 29, 2021 are as follows:

		CobalTech
Current assets	$	206,253
Non-current assets		4,488,497
Total assets	$	4,694,750
Current liabilities	$	7,672
Advances		403,533
Reclamation provision		1,161,764
Total liabilities	$	1,572,969
Loss for the period from acquisition on March 1 to September 29, 2021	$	208,172
The Company's common share ownership percentage		100%
The Company's share of the loss for the period	$	208,172

Effective September 30, 2021, CobalTech redeemed the Class A shares held by Electra, thereby providing the Company with control over 100% of the issued and outstanding shares of CobalTech.

CobalTech did not meet the definition of a business for accounting purposes in accordance with IFRS 3. For accounting purposes, the transition from CobalTech being an equity investment to consolidating 100% of CobalTech into the consolidated financial statements of the Company was treated as an asset acquisition. As such, effective on the redemption of the class A shares, the fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:		
Equity investment	$	3,239,747
Advances		403,533
	$	**3,643,280**
Allocated as follows:		
Cash	$	7,555
Receivables		180,995
Prepaids and advances		17,703
Exploration and evaluation assets		4,606,463
Accounts payable		(7,672)
Reclamation provision		(1,161,764)
	$	**3,643,280**

(Expressed in US Dollars)

7. FACILITIES AND EQUIPMENT

	Construction in progress	Facilities and leasehold improvements	Vehicles	Field equipment	Total
COST					
December 31,2019	$ -	$ -	$ -	$ -	$ -
Additions from Miramont RTO (Note 4)	-	-	-	12,013	12,013
Adjustment on currency translation	-	-	-	(224)	(224)
December 31, 2020	-	-	-	11,789	11,789
Additions	253,464	-	28,521	-	281,985
Transfer	(253,464)	253,464	-	-	-
Adjustment on currency translation	-	(2,798)	(1,088)	29	(3,857)
September 30, 2021	**$ -**	**$ 250,666**	**$ 27,433**	**$ 11,818**	**$ 289,917**
ACCUMULATED DEPRECIATION					
December 31, 2019	$ -	$ -	$ -	$ -	$ -
Depreciation	-	-	-	345	345
Adjustment on currency translation	-	-	-	18	18
December 31, 2020	-	-	-	363	363
Depreciation	-	27,279	1,393	1,109	29,781
Adjustment on currency translation	-	(422)	(22)	(16)	(460)
September 30, 2021	**$ -**	**$ 26,857**	**$ 1,371**	**$ 1,456**	**$ 29,684**
NET BOOK VALUE					
December 31, 2020	$ -	$ -	$ -	$ 11,426	$ 11,426
September 30, 2021	**$ -**	**$ 223,809**	**$ 26,062**	**$ 10,362**	**$ 260,233**

Construction in progress was related to capital costs incurred in connection with constructing buildings and leasehold improvements at an exploration camp at Bethania. No depreciation is recorded on assets under construction. Construction of these facilities were considered completed as at June 30, 2021 and the associated costs were transferred to facilities and leasehold improvements. Deprecation is included in operations and supplies in exploration and evaluation expenditures.

(Expressed in US Dollars)

8. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets include assets at Bethania and Carmelita, both in Peru, and in Canada.

Project	Bethania	Carmelita	Kerr	Silver Kings JV	Total
December 31, 2019	$ -	$ -	$ -	$ -	$ -
Additions from acquisition of S&L Andes (Note 5)	16,755,385	-	-	-	16,755,385
Adjustment on currency translation	(29,118)	-	-	-	(29,118)
December 31, 2020	16,726,267	-	-	-	16,726,267
Additions	-	892,500	-	-	892,500
Additions from acquisition of CobalTech (Note 6)	-	-	4,606,463	-	4,606,463
Issuance of common shares	-	-	-	771,916	771,916
Adjustment on currency translation	41,284	(33,756)	-	(6,228)	1,300
September 30, 2021	**$ 16,767,551**	**$ 858,744**	**$ 4,606,463**	**$ 765,688**	**$ 22,998,446**

Bethania, Peru

On December 15, 2020, the Company completed the acquisition of S&L Andes, whose principal asset is its interest in the Bethania Project. The acquisition value attributed to the project was $16,755,385 (Note 5).

As at September 30, 2021, the Company had recorded a reclamation provision in the amount of $45,226 (December 31, 2020 - $51,630) as an estimate for potential future reclamation and rehabilitation obligations on Bethania, based on activities on the project to date. The amount has been adjusted for inflation of 2% and then discounted using current market-based pre-tax discount rate of 5%.

Carmelita, Peru

On May 14, 2021, the Company acquired mining concessions located in the district of Acobambilla, department of Huancavelica, Peru, west of Bethania, known as the Carmelita concessions for a total purchase price of $892,500, consisting of $492,500 in cash and $400,000 in common shares. Upon signing of the agreements, $293,500 was paid, and the remaining $199,000 will be paid on or before the 12-month anniversary of the signing of the agreements. The $400,000 in common shares in the capital of the Company will be issued on the eighteen-month anniversary of signing the agreements at a deemed price per common share equal to the 10-day average closing price of the common shares on the CSE, ending on the day prior to issuance.

(Expressed in US Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Carmelita, Peru (cont'd…)

The $199,000 due on or before May 14, 2022 has been recorded in accounts payable and accrued liabilities (Note 9) and the $400,000 in common shares has been reflected as an obligation to issue shares and classified as a non-current liability since the $400,000 obligation will be settled with a variable number of shares.

Kerr, Canada

On September 30, 2021, the Company commenced consolidating CobalTech, whose principal asset is its interest in the Kerr Project. The acquisition value attributed to the project was $4,606,463 (Note 6).

As at September 30, 2021, the Company had recorded a reclamation provision in the amount of $1,161,763 (December 31, 2020 - $nil) as an estimate for potential future reclamation and rehabilitation obligations on Kerr, based on the historical activities on the project to date. The amount has been adjusted for inflation of 2% and then discounted using current market-based pre-tax discount rate of 2%.

Silver Kings JV, Canada

The Purchase Agreement with Electra (Note 6) also provides the Company with an option ("the Option") to acquire up to a 70% interest in Electra's remaining silver mineral assets (the "Remaining Assets") in the Cobalt, Ontario area and to form a joint venture.

On September 1, 2021, the Company issued 671,141 common shares to Electra, valued at $771,916 (CAD $973,154), for the initial earn-in payment under the Option. To fully exercise the Option, the Company must make cash payments totaling CAD $2,000,000 and complete work commitments of CAD $4,000,000, as follows:

	Acquisition in cash (in CAD)	Work commitments (in CAD)
Requirements on or before:		
September 1, 2021 ("Initial Earn-In") - completed	$ 1,000,000	$ -
September 1, 2022 (49% interest)	300,000	2,000,000
September 1, 2023 (additional 11% interest)	350,000	1,000,000
September 1, 2024 (additional 10% interest)	350,000	1,000,000
	$ 2,000,000	$ 4,000,000

The Purchase Agreement provides that the Company may issue an equivalent value in common shares of the Company at the 20-day volume-weighted average price in lieu of making the cash payments. Following the payment of the Initial Earn-In, the Company and Electra will enter into a joint venture agreement on terms to be negotiated for the joint exploration and development of the Remaining Assets.

(Expressed in US Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Tres Banderas, Peru

The Company has mining concessions located in the in the district of Acobambilla, department of Huancavelica, Peru, south of Bethania, known as the Tres Banderas Concessions, valued at $nil, to which the Company made successful applications and holds them in good standing.

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the nine months ended September 30, 2021 are as follows[1]:

Project	Bethania	Tres Banderas	Silver Kings JV	Total
Civil works and engineering	$ 672,602	$ -	$ -	$ 672,602
Geology and drilling	596,933	-	21,887	618,820
Operations and supplies	440,423	-	-	440,423
Property maintenance, licences and rights	254,447	33,354	-	287,801
Safety and environment	88,968	-	-	88,968
VAT	735,462	-	-	735,462
Wages and benefits	221,823	-	97,288	319,111
Expense recovery from Electra	-	-	(119,175)	(119,175)
Total	$ 3,010,658	$ 33,354	$ -	$ 3,044,012

[1] Exploration and evaluation expenditures on Kerr are not reflected in this table because CobalTech was not consolidated until September 30, 2021.

Exploration and evaluation expenditures for the nine months ended September 30, 2020 are as follows:

Project	Bethania	Tres Banderas	Total
Property maintenance, licenses and rights	$ -	$ 3,561	$ 3,561
Total	$ -	$ 3,561	$ 3,561

(Expressed in US Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2021		December 31, 2020
Accounts payable	$	1,324,819	$	1,948,198
Carmelita agreement (Note 8)		199,000		-
Accrued liabilities		24,887		107,092
	$	1,548,706	$	2,055,290

10. SHARE CAPITAL

Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. To September 30, 2021, the Company had not issued any preferred shares.

Issued share capital

On October 1, 2020, Kuya was deemed to acquire Miramont in an RTO Transaction whereby shareholders of Kuya exchanged their shares at a rate of 1.835 shares of Miramont for each share of Kuya (Note 4). The share capital of each company prior to the RTO Transaction was as follows:

	Shares outstanding		Share capital
Miramont			
Balance as at July 31, 2019	5,577,322	CAD $	12,865,352
Warrants expired	-		97,352
Balance as at July 31, 2020 and October 1, 2020	5,577,322	CAD $	12,962,704
Balance as at July 31, 2020 and October 1, 2020	5,577,322	$	9,752,502

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

	Shares outstanding		Share capital
Kuya			
Balance as at December 31, 2019	6,642,766	$	3,348,913
Issuance of common shares for cash by private placement	7,942,203		9,807,353
Share issue costs	-		(678,044)
Balance as at October 1, 2020	14,584,969	$	12,478,222

Subsequent to the RTO Transaction, the share capital of the Company was as follows:

	Shares outstanding		Share capital
The Company			
Miramont balance as at October 1, 2020	5,577,322	$	9,752,502
Eliminate pre-acquisition share capital of Miramont	-		(9,752,502)
Adjust share capital to that of Kuya upon RTO	-		12,478,222
	5,577,322		12,478,222
Equity issued per RTO with Kuya	26,763,410		3,773,064
Issuance of common shares on acquisition of S&L Andes	3,929,288		6,084,497
Issuance of common shares on exercise of warrants	1,632,076		501,594
Balance as at December 31, 2020	37,902,096		22,837,377
Issuance of common shares for cash by private placement	4,842,650		6,795,544
Issuance of common shares on acquisition of CobalTech	1,437,470		2,668,079
Issuance of common shares on acquisition of exploration and evaluation assets	671,141		771,916
Issuance of common shares on exercise of options	50,000		63,607
Issuance of common shares on exercise of performance warrants	276,624		85,016
Balance as at September 30, 2021	45,179,981	$	33,221,539

10. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

During the nine months ended September 30, 2021, the Company issued:

a) 4,842,650 units at a price of CAD $1.90 per unit, on a "bought deal" private placement basis, for total proceeds of $7,542,135 (CAD $9,201,035). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD $2.60 per common share for a period of 24 months from the date of issue. The 2,421,325 warrants were valued at $178,630. The Company paid a total of $567,961 for fees.

b) 1,437,470 common shares of the Company, valued at $2,668,079, pursuant to the acquisition of CobalTech (Note 6);

c) 671,141 common shares of the Company, valued at $771,916, pursuant to the acquisition of exploration and evaluation assets (Note 8);

d) 50,000 common shares of the Company, for proceeds of $35,177, on the exercise of options; and

e) 276,624 common shares of the Company, for proceeds of $138, on the exercise of performance warrants.

During the year ended December 31, 2020, the Company issued:

a) 464,583 common shares of Kuya at a price of $1.20 per share by way of a non-brokered private placement, for total proceeds of $557,500;

b) 7,477,620 common shares of Kuya at a price of CAD $1.65 per share by way of a brokered and a non-brokered private placement, for total proceeds of $9,249,853. Share issue costs of $678,044 were incurred in connection with this financing;

c) 26,763,410 common shares of the Company in exchange for all of the issued and outstanding shares of Kuya (Note 4);

d) 3,929,288 common shares of the Company, valued at $6,084,497, pursuant to the acquisition of S&L Andes (Note 5); and

e) 1,632,076 common shares of the Company, for proceeds of $816, on the exercise of performance warrants.

Escrow shares

Pursuant to the Transaction, 8,869,165 of the Payment Shares are subject to escrow restrictions pursuant to the terms of an Escrow Agreement dated October 7, 2020 and will be released from escrow based upon the passage of time in accordance with the Escrow Agreement, such that 10% of the securities were released on October 7, 2020 and the remaining escrowed securities will be released in six tranches of 15% every six months thereafter. As at September 30, 2021, there are 6,651,873 (December 31, 2020 - 7,982,249) shares held in escrow.

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Stock options

The Company has a shareholder-approved rolling stock option plan under which the Board of Directors ("Board") may, from time to time in its discretion, grant options to acquire common shares of the Company to its directors, officers, employees, consultants and advisors. The number of shares reserved for issuance under the plan may not exceed 10% of the number of issued and outstanding common shares of the Company. The exercise price of each option is determined by the Board but shall not be less than the market price of the Company's shares on the date prior to the date of grant less any discounts permitted by the CSE under its policies. The options may be granted for a maximum term of 10 years and are subject to such vesting provisions as may be determined by the Board. Kuya did not have a stock option plan and, accordingly, did not previously grant any options.

During the nine months ended September 30, 2021, the Company granted 625,000 (2020 - nil) stock options with a fair value of $533,071 (2020 - $nil) using the Black-Scholes option pricing model assuming a life expectancy of 4.5 years, a risk- free interest rate of 0.88%, a forfeiture rate of nil, and volatility of 93%.

During the nine months ended September 30, 2021, the Company expensed $456,588 (2020 - $nil) for the fair value of vesting options, which was recorded in share-based compensation.

Prior to the RTO Transaction, option transactions of Miramont were as follows:

	Number of options		Weighted average exercise price (in CAD)
Miramont			
Balance as at July 31, 2019	344,833	$	3.86
Forfeited	(42,333)		3.89
Balance as at July 31, 2020 and October 1, 2020	302,500	$	3.86

Prior to the RTO Transaction, Kuya had not granted any options.

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

Subsequent to the RTO Transaction, option transactions of the Company are summarized as follows:

	Number of options		Weighted average exercise price (in CAD)
Balance as at October 1, 2020	302,500	$	3.86
Granted	920,000		0.90
Balance as at December 31, 2020	1,222,500		1.63
Granted	625,000		1.69
Exercised	(50,000)		0.90
Balance as at September 30, 2021	1,797,500	$	1.67

As at September 30, 2021, the Company had outstanding options enabling the holder to acquire common shares as follows:

Number of options	Number of exercisable options		Exercise price (in CAD)	Weighted average remaining life (years)	Expiry date
30,000	30,000	$	3.75	0.01	October 1, 2021*
12,500	12,500	$	4.15	0.01	October 1, 2021*
30,000	30,000	$	3.70	1.43	March 6, 2023
155,000	155,000	$	3.75	1.63	May 17, 2023
100,000	100,000	$	1.55	1.73	June 24, 2023
75,000	75,000	$	4.15	2.39	February 21, 2024
870,000	443,333	$	0.90	4.01	October 1, 2025
275,000	91,667	$	1.55	4.73	June 24, 2026
250,000	83,333	$	1.90	4.73	June 24, 2026
1,797,500	1,020,833				

* subsequent to period end, these options expired unexercised

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Share purchase warrants

Miramont's outstanding warrants at the time of the RTO were consolidated on a 10:1 basis and, for accounting purposes, were deemed to be issued by Kuya as part of the RTO Transaction (Note 4).

Prior to the RTO Transaction, share purchase warrant transactions of each company were as follows:

	Number of warrants		Weighted average exercise price (in CAD)
Miramont			
Balance as at July 31, 2019	2,451,207	$	4.57
Expired	(1,971,542)		4.46
Balance as at July 31, 2020 and October 1, 2020	479,665	$	5.00

	Number of warrants		Weighted average exercise price
Kuya			
Balance as at December 31, 2019	6,724	$	1.00
Expired	(6,724)		1.00
Balance as at October 1, 2020	-	$	-

Subsequent to the RTO Transaction, the continuity of share purchase warrants of the Company was as follows:

	Number of warrants		Weighted average exercise price (in CAD)
Balance as at October 1, 2020 and December 31, 2020	479,665	$	5.00
Issued	2,421,325		2.60
Expired	(479,665)		5.00
Balance as at September 30, 2021	2,421,325	$	2.60

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Share purchase warrants (cont'd…)

As at September 30, 2021, the Company had outstanding share purchase warrants enabling the holder to acquire common shares as follows:

Number of share purchase warrants		Exercise price (in CAD)	Weighted average remaining life (years)	Expiry date
2,421,325	$	2.60	1.71	June 16, 2023
2,421,325				

Performance warrants

Performance warrants were granted in fiscal 2018 and each warrant entitled the holder to purchase one common share at a price of $0.0005 per share and were exercisable on completion of the Company's 80% acquisition of S&L Andes, effective December 15, 2020 (Note 5).

During the nine months ended September 30, 2021, 276,624 (2020 – nil) performance warrants were exercised; accordingly, the $84,878 (2020 - $nil) issue-date fair value associated with the warrants was reclassified from reserves to share capital.

During the nine months ended September 30, 2021, the Company expensed $nil (2020 - $25,934), related to performance warrants, which was recorded in share-based compensation.

Prior to the RTO Transaction, performance warrants transactions of each company were as follows (prior to the RTO Transaction, Miramont had not granted any performance warrants):

	Number of warrants		Weighted average exercise price
Kuya			
Balance as at December 31, 2019 and October 1, 2020	1,040,167	$	0.001

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Performance warrants (cont'd…)

Subsequent to the RTO, the performance warrants of the Company were as follows:

	Number of warrants		Weighted average exercise price
The Company			
Balance as at October 1, 2020	1,040,167	$	0.001
Adjusted by the RTO Exchange Ratio (Note 4)	868,533		-
Exercised	(1,632,076)		0.0005
Balance as at December 31, 2020	276,624		0.0005
Exercised	(276,624)		0.0005
Balance as at September 30, 2021	-	$	-

11. RELATED PARTY TRANSACTIONS

The Company considers key management personnel to consist of its directors and officers. The following expenses were incurred in transactions with key management personnel:

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Directors' fees	$	68,961	$	-
Management fees		93,901		127,500
Professional fees		20,678		-
Share-based compensation		288,567		-
Wages and benefits		140,277		-
	$	612,384	$	127,500

(Expressed in US Dollars)

11. RELATED PARTY TRANSACTIONS (cont'd…)

As at September 30, 2021, included in advances to suppliers was $259,437 (December 31, 2020 - $nil) paid to a company that provides engineering and subcontractor services which is considered a related party due to having a common officer. During the nine months ended September 30, 2021, administrative and exploration and evaluation expenditures of $104,917 (2020 - $nil) was paid or accrued to this company.

As at September 30, 2021, included in accounts payable and accrued liabilities was $17,429 (December 31, 2020 - $170,878) owing to officers and directors.

As at September 30, 2021, a director was owed $nil (December 31, 2020 - $156,990) for shareholder loans. These unsecured loans were due on demand and bore no interest. During the nine months ended September 30, 2021, a director advanced Kuya a total of $nil (2020 - $222,768) and was repaid $158,012 (2020 - $75,792).

12. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash financing and investing activities are as follows:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Reclassification of reserves to share capital on exercise of options	$ 28,430	$ -
Reclassification of reserves to share capital on exercise of warrants	84,878	-
Reclassification of reserves to deficit on expiry of warrants	100	-
Fair value of warrants issued in private placement	178,630	-
Shares issued on acquisition of CobalTech (Note 6)	2,668,079	-
Shares issued on acquisition of exploration and evaluation assets (Note 8)	771,916	-
Obligation to issue shares for Carmelita concessions (Note 8)	400,000	-
Cost of Carmelita concessions included in accounts payable and accrued liabilities (Note 8)	199,000	-

(Expressed in US Dollars)

13. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment being the acquisition and exploration of exploration and evaluation assets located in Canada and Peru. Geographic information is as follows:

		Canada		Peru		Total
As at September 30, 2021						
Exploration and evaluation assets	$	5,372,151	$	17,626,295	$	22,998,446
Other assets		4,386,364		656,048		5,042,412
Total assets	$	9,758,515	$	18,282,343	$	28,040,858
For the three months ended September 30, 2021						
Loss	$	(516,982)	$	(1,655,587)	$	(2,172,569)
For the nine months ended September 30, 2021						
Loss	$	(1,539,716)	$	(3,796,210)	$	(5,335,926)

		Canada		Peru		Total
As at December 31, 2020						
Exploration and evaluation assets	$	-	$	16,726,267	$	16,726,267
Other assets		4,984,141		41,022		5,025,163
Total assets	$	4,984,141	$	16,767,289	$	21,751,430
For the three months ended September 30, 2020						
Loss	$	(372,011)	$	-	$	(372,011)
For the nine months ended September 30, 2020						
Loss	$	(458,934)	$	(3,561)	$	(462,495)

14. FINANCIAL INSTRUMENT RISK

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at September 30, 2021, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets, being cash and receivables. The Company's primary bank accounts are held with major Canadian banks and funds are transferred to the subsidiary's foreign bank accounts as required to cover current expenditures; this minimizes the risk to the Company. Receivables are primarily due from a government agency and amounts owing from Electra for expense recovery.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company has sufficient cash as at September 30, 2021 to settle its current liabilities as they come due, however, management estimates additional funds are required to continue current operations for the upcoming twelve months (Note 1).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

<u>Foreign currency exchange risk</u>

This risk relates to any changes in foreign currencies in which the Company transacts. The Company incurs costs for goods and services denominated in currencies other than the presentation currency and is subject to foreign currency risk on assets and liabilities denominated in currencies other than the United States dollar. The effect of a 10% change in the foreign exchange rate on monetary balances held in USD dollar and soles accounts would be approximately $133,000 recorded in profit or loss for the nine months ended September 30, 2021. The effect of a 10% change in the foreign exchange rate on monetary balances held in CAD dollar and soles accounts would be approximately $291,000 recorded in other comprehensive income or loss for the nine months ended September 30, 2021.

<u>Interest rate risk</u>

This risk relates to the change in the borrowing rates of the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% increase or decrease in the interest rates would have a nominal impact in interest income for the nine months ended September 30, 2021.

14. FINANCIAL INSTRUMENT RISK (cont'd…)

Market risk (cont'd…)

Price risk

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

Fair value hierarchy

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1

Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2

Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3

Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company has classified its cash, receivables, accounts payable and accrued liabilities and related party loans as amortized cost. The fair value of cash, receivables, and accounts payable and accrued liabilities approximates their carrying values because of the short-term nature of these instruments.

15. CAPITAL MANAGEMENT

The Company defines capital as cash, debt, and the components of shareholders' equity. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of its exploration and evaluation assets, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors. The Company does not have any externally imposed capital requirements. There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the nine months ended September 30, 2021.

16. COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2021, the Company has a commitment to pay monthly fee of $5,000 for advisory services to one of the former shareholders of S&L Andes for as long as they maintain a share ownership position of more than five percent of the Company.

Contingencies

As at September 30, 2021, the Company has the following contingency: in 2018, S&L Andes filed an arbitral claim against Compañía Minera San Valentín S.A.C. ("San Valentin") before the Lima Chamber of Commerce in the amount of $904,856, alleging underpayment from toll milling services. S&L Andes withheld payment of $140,000, which is included in accounts payable and accrued liabilities as at September 30, 2021, due to San Valentin.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company:

a) issued 100,000 common shares pursuant to the exercise of options, for proceeds of CAD $90,000; and

b) acquired additional concessions, contiguous to the Bethania Project, for $565,000, by way of an auction process in Peru.