

# **KUYA SILVER CORPORATION**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# MARCH 31, 2021

(Expressed in US Dollars)

Report Date – May 31, 2021

The following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and the financial condition of Kuya Silver Corporation (the "Company") for the three months ended March 31, 2021. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes thereto for the three months ended March 31, 2021 and the audited annual consolidated financial statements and related notes thereto and the related annual MD&A for the year ended December 31, 2020. All amounts disclosed in this MD&A are expressed in US dollars, unless otherwise noted. Canadian dollars are represented by CAD \$.

# Management's Responsibility

The Company's management is responsible for the preparation and presentation of the financial statements and this MD&A. The financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board and as included in Part 1 of the CPA Canada Handbook – Accounting and the interpretations of the International Financial Reporting Interpretations Committee. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

#### **Forward-Looking Statements**

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain "forward-looking information" which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements use such words as "will", "may", "could", "intends", "potential", "plans", "believes", "expects", "projects", "estimates", "anticipates", "continue", "potential", "predicts" or "should" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements include, among others, statements with respect to the Company's expected future losses and accumulated deficit levels; the requirement for, and the Company's ability to obtain future funding on favourable terms or at all; the Company's risks associated with economic conditions; and the Company's conflicts of interest.

# Forward-Looking Statements (cont'd...)

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended including, but not limited to, the factors discussed under the heading "Risk and Uncertainties". Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives and may not be appropriate for other purposes. These forwardlooking statements are made as of the date of this MD&A. A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to the extent of future losses; the ability to obtain the capital required to fund development and operations; the ability to capitalize on changes to the marketplace; the ability to comply with applicable governmental regulations and standards; the ability to attract and retain skilled and experienced personnel; the impact of changes in the business strategies and development priorities of strategic partners; stock market volatility; and other risks detailed from time-to-time in the Company's ongoing quarterly and annual filings with applicable securities regulators under the Company's SEDAR profile at www.sedar.com, and those which are discussed under the heading "Risks Factors". Readers should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive.

Each of the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company expressly disclaims any obligation or responsibility to update the forward-looking statements in this MD&A except as otherwise required by applicable law.

# Overview

Kuya Silver Corporation (the "Company") is a mineral exploration company with a focus on acquiring, exploring and advancing exploration and evaluation 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"). 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 this MD&A reflect the 10:1 consolidation. On completion of the RTO transaction, Miramont changed its name to Kuya Silver Corporation.

The Company's head office and principal address is located at 401 - 217 Queen Street West, Toronto, ON, M5V OR2. The Company's registered and records office is located at 40440 Thunderbird Ridge, Squamish, BC, V8B OG1. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol KUYA (formerly MONT).

On February 20, 2020, the Company issued 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.

On September 30, 2020, the Company issued 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.

On October 1, 2020, the Company completed the various matters contemplated in the previously announced definitive agreement with Kuya whereby the Company agreed to acquire all of the issued and outstanding shares of Kuya and, accordingly, issued 26,763,410 common shares of the Company in exchange for all of the issued and outstanding shares of Kuya. The former shareholders of Kuya obtained control of Miramont and, as such, this transaction is considered a purchase of Miramont by Kuya, and has been accounted for as an RTO.

On December 15, 2020, the Company issued 3,929,288 common shares of the Company pursuant to the acquisition of S&L Andes Export S.A.C. ("S&L Andes") (refer to discussion in "Exploration and Evaluation Assets" below).

In fiscal 2020, the Company issued 1,632,076 common shares of the Company, for proceeds of \$816, on the exercise of performance warrants.

# Overview (cont'd...)

On February 26, 2021, the Company entered into a share purchase and option agreement (the "Purchase Agreement") with First Cobalt Corp. ("FCC"), a Canadian public company that owns certain silver mineral exploration assets (the "Kerr Assets"), located in north-eastern Ontario, Canada. Under the terms of the Purchase Agreement, the Company may acquire 100% of the shares of CobalTech Mining Inc. ("CobalTech"), a wholly owned subsidiary of FCC, which holds the Kerr Assets. The Purchase Agreement also provides the Company with an option ("the Option") to acquire up to a 70% interest in FCC's remaining silver mineral assets (the "Remaining Assets") in the Cobalt, Ontario area and to form a joint venture with Cobalt Industries of Canada Inc. ("CIC"), a wholly owned subsidiary of FCC that owns the Remaining Assets. On March 1, 2021, 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 common shares and preferred shares of CobalTech. FCC retained ownership of 1,000 Class A redeemable voting preferred shares (the "Class A shares") of CobalTech in order to facilitate certain flow-through share arrangements agreed to by the parties. The Class A shares provide FCC the ability to appoint a majority of the directors of CobalTech until such time as CAD \$500,000 of flow-through eligible expenditures are incurred by CobalTech, renounced to FCC and the Class A shares are redeemed. Accordingly, the Company is not considered to have control over CobalTech but is considered to have significant influence and has initially recorded its interest in CobalTech as an equity investment.

During the three months ended March 31, 2021, the Company issued 50,000 common shares of the Company, for proceeds of \$35,177, on the exercise of options and the Company issued 276,624 common shares of the Company, for proceeds of \$138, on the exercise of performance warrants.

The Company continues to review high-quality silver-dominated resource opportunities with near-term production potential.

#### **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"). 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. 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 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).

# **Exploration and Evaluation Assets**

#### <u>Bethania</u>

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 outlines 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 at a deemed price of \$1.00 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 were required to be made no later than April 30, 2021 ("Closing Date"). If Kuya reached the Closing Date before the entire investment amount and other payments have been completed or Kuya terminates 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.

# Exploration and Evaluation Assets (cont'd...)

### Bethania (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.

#### Tres Banderas

The Company has two mining concessions (total of 1500 ha) located in the in the district of Acobambilla, department of Huancavelica, Peru, South of Bethania, known as the Tres Banderas Concessions, to which the Company made successful applications and holds them in good standing.

#### **Exploration and Evaluation Expenditures**

During the three months ended March 31, 2021, the Company began exploration activities on Bethania. Expenditures were focused on preparing for the start of the phase 1 drilling program, which included site preparation.

The exploration and evaluation expenditures incurred during the three months ended March 31, 2021 were as follows:

				Tres		
Project		Bethania		Banderas		Total
Care and maintenance	\$	4,267	\$	-	\$	4,267
Civil works	Ŷ	70,244	Ŷ	-	Ŷ	70,244
Community programs		4,270		-		4,270
Drilling		18,149		-		18,149
Field supplies		3,299		-		3,299
Geological		13,881		-		13,881
Property payments, licences and rights		6,349		-		6,349
VAT		38,298		-		38,298
Wages and benefits		53,871		-		53,871
Total	\$	212,628	\$	-	\$	212,628

### Exploration and Evaluation Assets (cont'd...)

#### Exploration and Evaluation Expenditures (cont'd...)

The cumulative exploration and evaluation expenditures on the properties incurred by the Company to March 31, 2021 are as follows:

		Tres	
Project	Bethania	Banderas	Total
Care and maintenance	\$ 4,267	\$ 5,063	\$ 9 <i>,</i> 330
Civil works	70,244	-	70,244
Community programs	4,270	-	4,270
Drilling	18,149	-	18,149
Engineering and permitting	5,102	-	5,102
Field supplies	3,644	-	3,644
Geological	13,881	-	13,881
Property payments, licences and rights	6,349	-	6,349
VAT	38,298	-	38,298
Wages and benefits	53,871	-	53,871
Total	\$ 218,075	\$ 5,063	\$ 223,138

# **Summary of Quarterly Results**

The following table sets out selected unaudited quarterly financial information for the most recent eight quarters. The amounts presented have been prepared in accordance with IFRS for all eight quarters.

Three Months Ended	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Exploration and				
evaluation expenditures	\$ 212,628	\$ 5,447	\$ -	\$ -
Administrative expenses (excluding share-based				
payments)	\$ 511,295	\$ 293,056	\$ 363,422	\$ 43,441
Share-based payments	\$ 58,485	\$ 300,858	\$ 8,645	\$ 8,644
Loss from continuing				
operations	\$ 902,907	\$ 3,214,832	\$ 372,011	\$ 52,032
- per share <sup>(1)</sup>	\$ (0.02)	\$ (0.11)	\$ (0.02)	\$ (0.00)
Loss	\$ 902,907	\$ 3,214,832	\$ 372,011	\$ 52,032
- per share <sup>(1)</sup>	\$ (0.02)	\$ (0.11)	\$ (0.02)	\$ (0.00)

# Summary of Quarterly Results (cont'd...)

Three Months Ended	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Exploration and				
evaluation expenditures	\$ 3,561	\$ -	\$ -	\$ 1,502
Administrative expenses (excluding share-based				
payments)	\$ 26,556	\$ 16,428	\$ 3,679	\$ 27,035
Share-based payments	\$ 8,645	\$ 79,959	\$ 79,961	\$ 79,960
Loss from continuing				
operations	\$ 38,452	\$ 96,201	\$ 83,292	\$ 107,878
- per share <sup>(1)</sup>	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Loss	\$ 38,452	\$ 96,201	\$ 83,292	\$ 107,878
- per share <sup>(1)</sup>	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)

<sup>1.</sup> Diluted loss per share is not presented as the effect is anti-dilutive.

# **Overall Performance and Results of Operations: Quarterly**

During the three-month period ended March 31, 2021, the Company incurred a loss of \$902,907 compared to a loss of \$38,452 for the three-month period ended March 31, 2020.

The loss of \$902,907 (2020 - \$38,452) for the current quarter was comprised of \$212,628 (2020 - \$3,561) in property expenses, \$569,780 (2020 - \$35,201) in administrative expenses, including share-based payments of \$58,485 (2020 - \$8,645), and \$(120,499) (2020 - \$310) in net other income (expense). The expenditures with significant changes in the current quarter from the comparative quarter of last year, were as follows:

# Property Expenses

• Exploration and evaluation expenditures – There were minimal expenses in the prior period as the acquisition of S&L Andes had not yet been completed. Exploration activities on the Bethania Project started during the current period.

#### Administrative Expenses

- Costs were incurred in the first quarter of operating as a public company that were non-existent in the prior period.
- Consulting fees have increased as additional persons were brought in to set-up operations in Peru.
- Marketing and investor relations were incurred by the Company to promote the completion of the S&L acquisition and the commencement of exploration work and the investment in CobalTech.
- Office and miscellaneous has increased due to the increased work in Peru for setting up and running operations.
- Travel has increased as a result of travel within Peru.
- Wages and benefits are a new expenditure to account for workers in Peru.

# **Liquidity and Capital Resources**

The Company's cash position was \$2,652,027 as at March 31, 2021 compared to \$4,904,562 as at December 31, 2020. The Company's working capital was \$930,894 as at March 31, 2021 compared to working capital of \$2,801,457 as at December 31, 2020. The Company's cash position consists of funds raised in previous financings, from option and warrant exercises, and from the RTO transaction with Miramont, less cumulative expenditures incurred. The cash balance of \$2,652,027 as at March 31, 2021 decreased by \$2,381,766, including the effect of foreign exchange on cash of \$129,231, from the \$4,904,562 balance as at December 31, 2020. The net decrease was comprised of expenditures on operating activities (2021 - \$1,332,417; 2020 - \$25,219), payments for the investment in CobalTech of \$789,827 (2020 - \$nil), acquisition of buildings and equipment of \$294,837 (2020 - \$nil) and deferred acquisition costs of \$nil (2020 - \$278,676), and repayments to a shareholder of \$nil (2020 - \$85,000), which was offset by the receipt of the net proceeds from exercise of options and warrants of \$35,315 (2020 - \$557,500) and amounts received from a shareholder of \$nil (2020 - \$85,000). Subsequent to March 31, 2021, the Company entered into an agreement with a syndicate of underwriters led by Cormark Securities Inc. (collectively, the "Underwriters") pursuant to which the Underwriters agreed to purchase 4,211,000 units of the Company at a price of CAD \$1.90 per unit, on a "bought deal" private placement basis, for aggregate gross proceeds to the Company of approximately CAD \$8,000,000. Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at a price of CAD \$2.60 per common share for a period of 24 months from the date of issue. The Company has also granted to the Underwriters an option to purchase up to an additional 15% of the units of the Offering on the same terms, exercisable at any time up to the closing. Closing of the Offering is subject to certain conditions and regulatory approvals, including CSE approval.

Management believes the Company's current cash resources are sufficient to meet its short-term needs. The Company is continuing to explore various potential sources of financing, but there is no certainty that any additional financings will be completed. As noted above, the Company raised capital in previous reporting periods, with the result that the current working capital balance is an amount that management believes is sufficient to further operations for the upcoming twelve months.

# Liquidity and Capital Resources (cont'd...)

The following table summarizes the use of proceeds previously disclosed in the August 10, 2020 Management Information Circular as compared to the actual use of proceeds for the period from October 1 to December 31, 2020 and for the period from January 1 to March 31, 2021. The table also summarizes the expected use of proceeds for the period from January 1, 2021 to December 31, 2021.

of proceeds per August Expenditures Expenditur 10, 2020 from from Management October 1 to January 1 Information December March 31 Principal Purposes of Funds Circular <sup>(1)</sup> 31, 2020 2021	incurred to from April 1
Exploration Program for the Bethania Silver	
Property (Phase 1) <sup>(1)</sup> \$429,000 \$nil \$212,6	28 \$216,372
Complete acquisition of the 80% interest in S&L Andes <sup>(1)</sup> \$3,713,000\$3,549,181\$Acquisition of the remaining 20% interest in	nil Şnil
	nil \$nil
Construction of buildings for exploration	
camp <sup>(4)</sup> \$nil\$\$294,8	37 \$nil
Investment in CobalTech <sup>(5)</sup> \$nil \$nil \$789,8	27 \$nil
General and administrative expenses, net of other income (excluding share-based	
payments and amortization) <sup>(1, 6)</sup> \$895,000 \$293,056 \$511,2	95 \$90,649
Expenditures before working capital changes and other items \$5,037,000 \$4,988,487 \$1,808,5	87 \$307,021
Unallocated general working capital <sup>(1)</sup> \$4,737,000	
Total available funds \$9,774,000	

<sup>(1)</sup> Amounts reported in this column were translated from the CAD \$ amounts included in Miramont's August 10, 2020 management information circular at an exchange rate of 1.3404.

<sup>(2)</sup> There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

<sup>(3)</sup> This unplanned expenditure relates to the costs incurred to acquire the remaining 20% of S&L Andes, as announced on October 26, 2020.

<sup>(4)</sup> This unplanned expenditure relates to the costs incurred to construct buildings for an exploration camp that is expected to form the base for the permanent camp at Bethania.

<sup>(5)</sup> This unplanned expenditure relates to the cash portion of the investment in CobalTech, as announced on December 21, 2020 and completed on March 1, 2021.

<sup>(6)</sup> Additional general and administrative expenses were incurred to set-up and run the office in Peru.

### **Off-Balance Sheet Arrangements**

The Company did not enter into any off-balance sheet arrangements or transactions during the period.

#### **Transactions with Related Parties**

The following summarizes the Company's related party transactions with its key management personnel during the three months ended March 31, 2021 and 2020:

	2021	2020
Paid or accrued management fees to David Stein, a director and President		
and CEO of the Company	\$ 46,660	\$ 37,500
Paid or accrued director fees to Dale Peniuk, a director of the Company	5,957	-
Paid or accrued director fees to Quinton Hennigh, a director of the Company	6,949	-
Paid or accrued director fees to Andres Recalde, a director of the Company	4,964	-
Paid or accrued director fees to Maura Lendon, a director of the Company	5,957	-
Paid or accrued professional fees to Lesia Burianyk, CFO of the Company	10,722	-
Vesting of share-based payments to David Stein	11,950	-
Vesting of share-based payments to Dale Peniuk	6,564	-
Vesting of share-based payments to Quinton Hennigh	8,058	-
Vesting of share-based payments to Andres Recalde	5,975	-
Vesting of share-based payments to Maura Lendon	5,975	-
Vesting of share-based payments to Lesia Burianyk	472	-
	\$ 120,203	\$ 37,500

As at December 31, 2020, included in accounts payable and accrued liabilities was \$171,816 (December 31, 2020 - \$170,878) owing to officers and directors.

As at March 31, 2021, a director was owed \$158,012 (December 31, 2020 - \$156,990) for shareholder loans. These unsecured loans are due on demand and bear no interest. During the three months ended March 31, 2021, a director advanced Kuya a total of \$nil (2020 - \$85,000) and was repaid \$nil (2020 - \$85,000).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and the members of its Board of Directors.

#### **Subsequent Events**

In addition to the subsequent events disclosed elsewhere in this MD&A (refer to discussion in "Liquidity and Capital Resources" above), subsequent to March 31, 2021, the Company entered into agreements to acquire the Carmelita concessions, located near the Bethania Project. To acquire the concessions, the Company must pay a total of \$492,500 within twelve months of signing the agreements, and issue \$400,000 in common shares on the eighteen-month anniversary of signing the agreements. The number of common shares to be issued will be based on the 10-day average closing price on the CSE, ending on the day prior to issuance. These agreements are subject to CSE approval.

#### **Share Capital Information**

#### **Disclosure of Outstanding Share Data**

The authorized capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

#### Shares Issued and Outstanding

As at the Report Date, there were Nil preferred shares issued and outstanding. Changes in common shares, options and warrants outstanding from March 31, 2021 to the Report Date are summarized below.

Common share transactions are summarized as follows:

	Number of common shares
Balance as at March 31, 2021 and Report Date	39,666,190
Stock options	
Option transactions are summarized as follows:	
	Number of
	options
Balance as at March 31, 2021 and Report Date	1,172,500

#### Share purchase warrants

As at March 31, 2021 and the Report Date, there were Nil share purchase warrants outstanding.

### **New Accounting Policies Adopted**

#### **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 building and equipment.

There were no other changes in accounting policies, including initial adoption, during the year.

#### 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 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.

While management does not currently anticipate this amendment having a material effect on the Company's consolidated financial statements for 2021, it may have an effect in periods beyond 2021.

# **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 March 31, 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.

# Financial Instrument Risk (cont'd...)

# 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 March 31, 2021 to settle its current liabilities as they come due and management estimates funds are sufficient to further operations for the upcoming twelve months.

# 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:

*Foreign currency exchange risk* – 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 \$132,000 recorded in profit or loss for the three months ended March 31, 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 \$65,000 recorded in other comprehensive income or loss for the three months ended March 31, 2021.

*Interest rate risk* – 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 be approximately \$5,000 in interest income for the three months ended March 31, 2021.

*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.

# Financial Instrument Risk (cont'd...)

# Fair value hierarchy (cont'd...)

*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.

# **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 three months ended March 31, 2021.

# **Risks and Uncertainties**

For full details on the risks and uncertainties affecting the Company, please refer to the Company's audited annual consolidated financial statements and related notes thereto and the annual MD&A for the year ended December 31, 2020 and to the Company's Annual Information Form ("AIF") for the year ended December 31, 2020. These documents are available for viewing at the Company's website at www.kuyasilver.com or on the Company's profile at www.sedar.com.

# **Proposed Transactions**

Currently there are no pending proposed transactions, except as disclosed in the "Subsequent Events" section.

#### **Additional Information**

Additional information relating to the Company, including the Company's AIF for the year ended December 31, 2020, is available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at **www.sedar.com**.

# **Corporate Information**

Directors:	David Stein Quinton Hennigh Dale Peniuk Andres Recalde Maura Lendon
Officers:	David Stein, President and CEO Lesia Burianyk, CFO Leah Hodges, Corporate Secretary Tyson King, VP Corporate Development
Auditor:	Davidson and Company, LLP Chartered Professional Accountants Suite 1200 - 609 Granville Street Vancouver, BC, V7Y 1G6
Legal Counsel:	Irwin Lowy LLP Suite 401 - 217 Queen Street West Toronto, Ontario, M5V 0R2
Transfer Agent:	Computershare Trust Company of Canada 2 <sup>nd</sup> Floor - 510 Burrard Street Vancouver, BC, V6C 3B9