MIRAMONT RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEAR ENDED JULY 31, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Miramont Resources Corp.

Opinion

We have audited the accompanying consolidated financial statements of Miramont Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Guy Thomas.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 19, 2020

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at July 31,

		2020		2019
ASSETS				
Current				
Cash	$	2,037,582	$	2,348,270
Receivables		5,018		29,145
Prepaids and advances		23,086		54,693
		2,065,686		2,432,108
Equipment (Note 4)		15,967		17,935
Exploration and evaluation assets (Note 5)		-		1,582,016
	$	2,081,653	$	4,032,059
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Notes 6 and 9)	$	88,850	$	78,656
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		12,962,704		12,865,352
Reserves (Note 7)		845,390		868,058
Deficit		(11,815,291)		(9,780,007)
		1,992,803		3,953,403
	$	2,081,653	$	4,032,059

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved by:

/s/ "David Stein"
David Stein, Director

/s/ "Dale Peniuk"
Dale Peniuk, Director

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

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the year ended July 31,

		2020		2019
Property expenses				
Exploration and evaluation expenditures (recovery) (Note 5)	$	(58,237)	$	2,083,460
Write-off of exploration and evaluation assets (Note 5)		1,582,016		3,969,379
		(1,523,779)		(6,052,839)
Administrative expenses				
Administrative costs		36,000		36,000
Consulting fees		-		19,481
Filing fees		33,654		28,145
Management fees (Note 9)		84,000		375,247
Marketing and investor relations		23,242		145,625
Office and miscellaneous		51,976		49,843
Professional fees (Note 9)		217,682		226,449
Share-based payments (Notes 7 and 9)		170,067		449,704
Shareholder communication		3,049		6,313
Transfer agent		13,860		17,740
Travel		2,955		25,132
		(636,485)		(1,379,679)
Operating loss		(2,160,264)		(7,432,518)
Foreign exchange gain (loss)		9,636		(52,569)
Interest income		19,961		40,304
		29,597		(12,265)
Loss and comprehensive loss for the year	$	(2,130,667)	$	(7,444,783)
Loss per common share – basic and diluted (Note 1)	$	(0.38)	$	(1.41)
Weighted average number of common shares outstanding – basic and diluted (Note 1)		5,577,322		5,281,202

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

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number of shares (Note 1)	Amount	Reserves	Deficit	Total
July 31, 2018	5,009,829	$ 10,827,931	$ 428,322	$ (2,335,224)	$ 8,921,029
Issuance of common shares for cash (Note 7)	471,650	1,650,774	-	-	1,650,774
Issuance of common shares on exercise of warrants (Note 7)	95,843	436,768	(28,126)	-	408,642
Share issue costs	-	(31,963)	-	-	(31,963)
Issuance of finders' warrants (Note 7)	-	(18,158)	18,158	-	-
Share-based payments (Note 7)	-	-	449,704	-	449,704
Loss for the year	-	-	-	(7,444,783)	(7,444,783)
July 31, 2019	5,577,322	12,865,352	868,058	(9,780,007)	3,953,403
Share-based payments (Note 7)	-	-	170,067	-	170,067
Stock options forfeited (Note 7)	-	-	(95,383)	95,383	-
Warrants expired (Note 7)	-	97,352	(97,352)	-	-
Loss for the year	-	-	-	(2,130,667)	(2,130,667)
July 31, 2020	5,577,322	$ 12,962,704	$ 845,390	$ (11,815,291)	$ 1,992,803

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

MIRAMONT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the year ended July 31,

		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(2,130,667)	$	(7,444,783)
Adjust for items not involving cash:				
Depreciation		1,968		1,601
Share-based payments		170,067		449,704
Write-off of exploration and evaluation assets		1,582,016		3,969,379
Change in non-cash working capital items:				
Receivables		24,127		1,875
Prepaids and advances		31,607		33,192
Accounts payable and accrued liabilities		10,194		(25,839)
Net cash used in operating activities		(310,688)		(3,014,871)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for exploration and evaluation assets		-		(237,350)
Acquisition of equipment		-		(11,146)
Net cash used in investing activities		-		(248,496)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital		-		2,059,416
Share issue costs		-		(31,963)
Net cash provided by financing activities		-		2,207,453
Change in cash		(310,688)		(1,235,914)
Cash, beginning of year		2,348,270		3,584,184
Cash, end of year	$	2,037,582	$	2,348,270

Supplemental cash flow information (Note 10)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Miramont Resources Corp. (the “Company”) was incorporated on July 15, 2015 under the Business Corporations Act of British Columbia. The Company is a mineral exploration company with a focus on acquiring, exploring and advancing exploration and evaluation assets in Peru. The Company’s head office and principal address is located at 23rd Floor - 1177 West Hastings Street, Vancouver, BC, V6E 2K3. 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).

On October 1, 2020, the Company completed a reverse takeover (“RTO”) transaction with Kuya Silver Corp. (“Kuya”), a privately-held Canadian-based silver focused junior mining company earning into an 80% interest in the Bethania Silver Mine located in central Peru (Note 14). In connection with the closing of the RTO, the Company changed its name to “Kuya Silver Corporation” and consolidated its share capital on a 10:1 basis. All share and per share amounts have been restated for the period presented.

These 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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These 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. 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. The Company raised capital in previous reporting periods through private placements of its common shares and exercise of share purchase warrants, with the result that the current working capital balance is an amount that management estimates is sufficient to further operations for the upcoming twelve months (Note 14).

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. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee.

2. BASIS OF PRESENTATION (cont'd…)

Approval of the consolidated financial statements

These consolidated financial statements were authorized by the Board of Directors of the Company on November 19, 2020.

Basis of presentation

These 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 as explained in the significant accounting policies set out in Note 3. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and its subsidiaries.

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its principal subsidiary, Puno Gold Corporation ("Puno") and its principal operating subsidiary, Minera Puno Gold S.A.C. ("Minera Puno"). 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
Puno Gold Corporation	Canada	100%	Holding company
Minera Puno Gold S.A.C.	Peru	100%	Exploration in Peru

Significant estimates

The preparation of these 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.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

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:

Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. 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 and equity reserves.

Significant judgments

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

Carrying value and the recoverability of exploration and evaluation assets

During the year ended July 31, 2020, management has determined that expenditures incurred on exploration and evaluation assets which were capitalized no longer have future economic benefits. 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. The Company has determined the functional currency of each entity to be the Canadian dollar. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets consist of cash and receivables and are classified as amortized cost.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities consist of accounts payable and accrued liabilities and are classified as amortized cost.

Impairment of financial assets

An expected credit loss ("ECL") impairment model applies to financial assets classified and measured at amortized cost and contract assets and debt investments classified and measured at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the financial asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the assets, discounted at the assets' original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

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

Field equipment	10 years

Exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration and evaluation costs on exploration and evaluation assets are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the rehabilitation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Rehabilitation provisions (cont'd…)

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no measurable rehabilitation obligations for the years presented.

Impairment

At the end of each reporting period, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized in profit or loss.

Share capital

Common shares

Common shares are classified as shareholders' equity. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as deductions from shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital (cont'd…)

When warrants expire unexercised, the value previously recorded in reserves is transferred to share capital.

Preferred shares

Preferred shares are classified as shareholders' equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends declared thereon are recognized as distributions within equity upon approval by the Company's shareholders.

Preferred shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognized as interest expense in profit or loss.

Share-based payments

The Company accounts for all grants of options to directors, officers, employees, consultants, and advisors in accordance with the fair value method for accounting for share-based payments. Share-based payment awards are calculated using the Black-Scholes option pricing model. Share-based payments to consultants and advisors, who are not providing similar services as employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received.

Compensation expense for share-based payments is recognized immediately for past services and pro-rata for future services over the vesting period of the share-based payment. A corresponding increase in reserves is recorded when share-based payments are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based payments previously recorded in reserves. When options expire unexercised or are forfeited, the related portion of share-based payments previously recorded in reserves are transferred to deficit.

Income (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share are calculated by dividing the loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. There was no dilutive effect for the years presented.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Deferred tax is generally provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for depreciation, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

New accounting policies adopted

The following standard has been adopted by the Company, using the modified retrospective application method, effective August 1, 2019:

<u>IFRS 16, Leases</u>

This standard sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. It eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policies adopted (cont'd…)

IFRS 16, Leases (cont'd…)

There was no impact on these consolidated financial statements as a result of adopting this standard as the Company has not entered into any contracts that contain a lease.

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 after August 1, 2020. These have not been applied in preparing these consolidated financial statements. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on these consolidated financial statements.

4. EQUIPMENT

		Field equipment		Total
Cost				
July 31, 2018	$	8,532	$	8,532
Additions		11,146		11,146
July 31, 2019 and 2020	$	19,678	$	19,678
Accumulated depreciation				
July 31, 2018	$	142	$	142
Depreciation		1,601		1,601
July 31, 2019		1,743		1,743
Depreciation		1,968		1,968
July 31, 2020	$	3,711	$	3,711
Net Book Value				
July 31, 2019	$	17,935	$	17,935
July 31, 2020	$	15,967	$	15,967

Deprecation is included in field supplies in exploration and evaluation expenditures.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Project	Cerro Hermoso	Lukkacha	Total
July 31, 2018	$ 3,791,367	$ 1,522,678	$ 5,314,045
Cash payments	237,350	-	237,350
Write-off of exploration and evaluation assets	(3,969,379)	-	(3,969,379)
July 31, 2019	59,338	1,522,678	1,582,016
Write-off of exploration and evaluation assets	(59,338)	(1,522,678)	(1,582,016)
July 31, 2020	$ -	$ -	$ -

Cerro Hermoso

On September 23, 2016, subsequently amended September 18, 2018, Minera Puno entered into an option agreement to acquire a 100% interest in two mining concessions in the district of Santa Lucia, province of Lampa, Puno Region in Peru known as the Cerro Hermoso Concessions for a total purchase price of US$3,526,000 to be paid over the period to September 27, 2021 (of which a total of US$326,000 was paid to November 14, 2019).

In fiscal 2019, the Company wrote off the carrying value of the Cerro Hermoso Concessions.

On July 26, 2018, Minera Puno entered into an option agreement to acquire a 100% interest in the Milenios mining concession, contiguous to the Cerro Hermoso Concessions, for a total purchase price of US$110,000 and the greater of: US$200,000 and US$1 for each ounce of gold contained in a National Instrument 43-101 compliant resource on or before July 26, 2022, to be paid over the period to July 26, 2021 (of which a total of US$45,000 was paid to May 26, 2020).

In May 2020, the Company gave notice of its intension to not make the option payment due on July 26, 2020 and wrote off the carrying value of the Milenios Concession during the year ended July 31, 2020.

On February 5, 2019, Minera Puno entered into an option agreement to acquire a 100% interest in the An An mining concession, contiguous to the Cerro Hermoso Concessions, for a total purchase price of US$610,000 on or before February 5, 2023 (of which US$30,000 was paid to November 14, 2019).

In fiscal 2019, the Company wrote off the carrying value of the An An mining concession.

During the year ended July 31, 2020, the Company recorded a write-off on exploration and evaluation assets of $59,338 related to the Milenios concession. During the year ended July 31, 2019, the Company recorded a write-off on exploration and evaluation assets of $3,969,379 related to the Cerro Hermoso and An An concessions.

(Expressed in Canadian Dollars)

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

Lukkacha

On May 15, 2017, Minera Puno entered into an option agreement to acquire a 100% interest in certain mining concessions in the District of Chucatamani, Province of Tarata, Tacna Department in Peru, (the "Lukkacha Concessions"), known as the Lukkacha Option Agreement, for an initial payment of US$200,000 on the effective date of the Lukkacha Option Agreement (paid); annual payments of US$100,000 starting on the first anniversary of obtaining the Supreme Decree (Supreme Decree refers to the issuance by the President of the Republic and countersigned by the President of the Council of Ministers, the Ministry of Energy and Mines and the Minister of Defense, which will authorize Minera Puno to acquire the Lukkacha Concessions and the rights thereon established in the Lukkacha Option Agreement); and a final payment of US$2,500,000 on the execution of public deed of transferring mining rights.

Minera Puno was also required to incur exploration expenditures of US$2,000,000 on the Lukkacha Concessions within 36 months of obtaining the Supreme Decree, subject to certain terms and conditions.

During the year ended July 31, 2020, management decided to discontinue pursuing the Lukkacha Concessions and, accordingly, recorded a write-off on exploration and evaluation assets of $1,522,678.

Exploration and evaluation expenditures (recovery) for the year ended July 31, 2020 are as follows:

Project	Cerro Hermoso	Lukkacha	Total
Assays	$ 898	$ -	$ 898
Community programs	6,695	-	6,695
Field supplies	8,405	-	8,405
Geological consulting	5,410	-	5,410
Property payments, licences and rights	8,441	-	8,441
Travel	3,188	-	3,188
VAT (recovery)	(181,277)	-	(181,277)
Vehicle rentals and maintenance	4,770	-	4,770
Wages and benefits	85,233	-	85,233
Total	$ (58,237)	$ -	$ (58,237)

(Expressed in Canadian Dollars)

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

Exploration and evaluation expenditures for the year ended July 31, 2019 are as follows:

Property		Cerro Hermoso		Lukkacha		Total
Assays	$	108,667	$	-	$	108,667
Community programs		11,969		16,114		28,083
Drilling		984,720		-		984,720
Engineering		10,045		-		10,045
Environmental and permitting		315		95,534		95,849
Field supplies		86,907		799		87,706
Geological consulting		17,152		-		17,152
Legal		204		-		204
Property payments, licences and rights		47,522		23,135		70,657
Travel		46,273		6,111		52,384
VAT		256,313		-		256,313
Vehicle rentals and maintenance		52,001		182		52,183
Wages and benefits		319,497		-		319,497
Total	$	1,941,585	$	141,875	$	2,083,460

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2020		2019
Accounts payable	$	40,850	$	48,656
Accrued liabilities		48,000		30,000
	$	88,850	$	78,656

7. 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 July 31, 2020, the Company had not issued any preferred shares.

7. SHARE CAPITAL (cont'd…)

Issued share capital

During the year ended July 31, 2020, the Company issued no common shares. Subsequent to July 31, 2020, in connection with the RTO transaction with Kuya (Note 14), the Company consolidated its share capital on a 10:1 basis. All share and per share amounts in these financial statements have been restated to reflect the share consolidation.

During the year ended July 31, 2019, the Company issued:

a) 471,650 units at a price of $3.50 per unit by way of a non-brokered private placement, for total proceeds of $1,650,774. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $5.00 per common share, for a period of two years from the date of issue. The Company paid a total of $31,963 in finders' fees and legal fees and issued 8,015 finders' warrants. Each finders' warrant entitles the holder to purchase one common share at a price of $0.50 per common share, for a period of two years from the date of issue. The finders' warrants were valued at $18,158, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk free interest rate of 1.77%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 120%; and

b) 95,843 common shares, for proceeds of $408,642, on the exercise of warrants.

Escrow shares

On November 28, 2016, the Company entered into an escrow agreement pursuant to which 859,916 common shares have been placed in escrow and are subject to release in tranches over time in accordance with the policies of the Canadian Securities Administrators. The escrow agreement provides that 10% of the escrowed shares will be released from escrow upon the original CSE listing date and that an additional 15% will be released therefrom every six-month interval thereafter, over a period of 36 months. As at July 31, 2020, there are nil (2019 - 257,975) shares held in escrow.

On November 9, 2017, the Company entered into an escrow agreement pursuant to which 14,960 common shares have been placed in escrow and are subject to release in tranches over time in accordance with the policies of the Canadian Securities Administrators. The escrow agreement provides that 10% of the escrowed shares will be released from escrow upon the post-Puno transaction listing date of November 27, 2017 and that an additional 15% will be released therefrom every six-month interval thereafter, over a period of 36 months. As at July 31, 2020, there are 2,244 (2019 - 6,732) shares held in escrow.

(Expressed in Canadian Dollars)

7. 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.

During the year ended July 31, 2020, the Company granted no stock options (2019 - 114,500). During the year ended July 31, 2020, the Company expensed $170,067 (2019 - $449,704) in connection with the vesting of options granted in prior periods, which was recorded in share-based payments.

The weighted average fair value of stock options granted during the year ended July 31, 2020 was $nil (2019 - $3.43) per option. The fair value was calculated using the Black-Scholes option pricing model assuming a life expectancy of nil years (2019 - five years), a risk free interest rate of nil% (2019 - 1.81%), a forfeiture rate of nil (2019 - nil), and volatility of nil% (2019 - 119%).

During the year ended July 31, 2020, 42,333 (2019 - 31,667) incentive stock options were forfeited in accordance with their terms; accordingly, the $95,383 (2019 - $nil) of share-based payments expense associated with the forfeited stock options that had vested was reclassified from reserves to deficit.

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance as at July 31, 2018	262,000	$ 3.74
Granted	114,500	4.15
Forfeited	(31,667)	3.90
Balance as at July 31, 2019	344,833	3.86
Forfeited	(42,333)	3.89
Balance as at July 31, 2020	302,500	$ 3.86

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

As at July 31, 2020, the Company had outstanding options enabling the holder to acquire common shares as follows:

Number of options	Number of exercisable options		Exercise price	Weighted average remaining life (years)	Expiry date
30,000	30,000	$	3.70	2.60	March 6, 2023
185,000	185,000		3.75	2.79	May 17, 2023
87,500	58,333		4.15	3.56	February 21, 2024
302,500	273,333				

Share purchase warrants

During the year ended July 31, 2020, 1,971,542 (2019 - 423,333) warrants expired in accordance with their terms; accordingly, the $97,352 (2019 - $nil) issue-date fair value associated with the agents' and finders' warrants that expired was reclassified from reserves to share capital.

Share purchase warrant transactions are summarized as follows:

	Number of warrants		Weighted average exercise price
Balance as at July 31, 2018	2,490,718	$	3.95
Issued	479,665		5.00
Exercised	(95,843)		4.26
Expired	(423,333)		1.50
Balance as at July 31, 2019	2,451,207		4.57
Expired	(1,971,542)		4.46
Balance as at July 31, 2020	479,665	$	5.00

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (cont'd…)

Share purchase warrants (cont'd…)

As at July 31, 2020, the Company had outstanding share purchase warrants enabling the holders to acquire common shares as follows:

Number of warrants		Exercise price	Weighted average remaining life (years)	Expiry date
479,665	$	5.00	0.50	January 31, 2021
479,665				

8. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		2020		2019
Loss before income taxes	$	(2,130,667)	$	(7,444,783)
Expected income tax recovery	$	(575,000)	$	(2,010,000)
Change in statutory, foreign tax, foreign exchange rates and other		403,000		(13,000)
Permanent differences		40,000		127,000
Share issue costs		-		(9,000)
Adjustment to prior years provision versus statutory tax returns		1,052,000		2,000
Change in unrecognized deferred tax assets		(920,000)		1,903,000
Income tax expense (recovery)	$	-	$	-

The significant components of the Company's unrecognized deferred income tax assets are as follows:

		2020		2019
Exploration and evaluation assets	$	1,495,000	$	2,553,000
Equipment		1,000		1,000
Share issue costs		42,000		60,000
Non-capital losses		836,000		680,000
		2,374,000		3,294,000
Unrecognized deferred tax assets		(2,374,000)		(3,294,000)
Net deferred tax assets	$	-	$	-

(Expressed in Canadian Dollars)

8. INCOME TAXES (cont'd…)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

		2020	Expiry date range
Exploration and evaluation assets	$	5,069,000	N/A
Equipment		3,000	N/A
Share issue costs		156,000	2021 to 2023
Non-capital losses		3,059,000	2035 to 2040

Tax attributes are subject to review and potential adjustments by tax authorities.

9. 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:

		2020		2019
Management fees	$	84,000	$	375,247
Professional fees		30,000		30,000
Share-based payments		129,837		308,577
	$	243,837	$	713,824

As at July 31, 2020, included in accounts payable and accrued liabilities was $30,625 (2019 - $10,296) owing to officers and directors.

(Expressed in Canadian Dollars)

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2020	2019
Reclassification of reserves to deficit on forfeit of stock options	$ 95,383	$ -
Reclassification of reserves to share capital on expiry of warrants	97,352	-
Allocation of reserves to share capital on exercise of warrants	-	28,126
Warrants issued as agents' and finders' fees	-	18,158

11. 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 July 31, 2020			
Exploration and evaluation assets	$ -	$ -	$ -
Other assets	2,056,828	24,825	2,081,653
Total assets	$ 2,056,828	$ 24,825	$ 2,081,653
For the year ended July 31, 2020			
Loss and comprehensive loss	$ (499,982)	$ (1,630,685)	$ (2,130,667)

	Canada	Peru	Total
As at July 31, 2019			
Exploration and evaluation assets	$ -	$ 1,582,016	$ 1,582,016
Other assets	2,369,811	80,232	2,450,043
Total assets	$ 2,369,811	$ 1,662,248	$ 4,032,059
For the year ended July 30, 2019			
Loss and comprehensive loss	$ (1,203,404)	$ (6,241,379)	$ (7,444,783)

12. 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 July 31, 2020, 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 a major Canadian bank 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.

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 July 31, 2020 to settle its current liabilities as they come due and management estimates funds are sufficient to further 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 effect of a 10% change in the foreign exchange rate on cash held in US dollar accounts would be approximately $56,000 for the year ended July 31, 2020.

<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 result in a nominal difference in interest income for the year ended July 31, 2020.

12. 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 and accounts payable and accrued liabilities 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.

13. 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 year ended July 31, 2020.

14. SUBSEQUENT EVENTS

Subsequent to July 31, 2020, the Company:

a) provided a credit facility up to $500,000 to Kuya that bears interest at 8% per annum and is to be repaid the earlier of (i) closing of the transaction (as described in Note 14(b)) and (ii) January 19, 2021. On August 21, 2020, Kuya drew down $500,000 on the credit facility;

b) completed, on October 1, 2020, the various matters contemplated in the previously announced definitive agreement (the "Definitive Agreement") with Kuya, whereby the Company agreed to acquire all of the issued and outstanding shares of Kuya in exchange for shares of the Company (the "Transaction").

   Pursuant to the Definitive Agreement, the Company completed a consolidation of its issued and outstanding common shares (the "Consolidation") on the basis of one post-Consolidation common share (the "Shares") for every 10 outstanding common shares in the capital of the Company. As a condition to the completion of the Transaction, Kuya completed a private placement financing (the "Concurrent Financing"), consisting of a brokered and a non-brokered private placement of 7,477,620 subscription receipts at a price of $1.65 ("Subscription Receipts") per Subscription Receipt for aggregate gross proceeds of $12,338,073. Following shareholder approval for the Consolidation and the Transaction and receipt of the necessary approvals of the CSE, each of the shareholders of Kuya received 1.835 Shares in exchange for each share held in the capital of Kuya and holders of convertible securities in Kuya received replacement securities in the Company.

   On closing of the Transaction, the current shareholders of the Company held approximately 30% of the outstanding shares and the Kuya shareholders held approximately 70% of the outstanding Shares (not including the issuance of Shares pursuant to the Concurrent Financing). Accordingly, the Transaction will be accounted for as a RTO of the Company by Kuya and the comparative financial statements in future consolidated financial statements of the combined company will be those of Kuya, the accounting acquiree. On October 7, 2020, the Company began trading on the CSE under the symbol KUYA;

c) granted 740,000 stock options at a price of $0.90 per common share, vesting 1/3 on grant, 1/3 after one year, and 1/3 after two years, for a period of five years, expiring on October 1, 2025;

14. SUBSEQUENT EVENTS (cont'd…)

d) granted 180,000 stock options at a price of $0.90 per common share, vesting on grant for a period of five years, expiring on October 1, 2025; and

e) reached an agreement, in October 2020, to acquire the remaining 20% interest in the Bethania Silver Mine for a total of US$1,750,000 of cash and shares of the Company. The acquisition is subject to completion of final documentation and approval of the CSE.