



KUYA SILVER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEAR ENDED DECEMBER 31, 2020

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Kuya Silver Corporation

Opinion

We have audited the accompanying consolidated financial statements of Kuya Silver Corporation (the "Company"), which are comprised of the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year 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 December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit 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 audit is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated statements of Kuya Silver Corp. for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on August 12, 2020.

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.

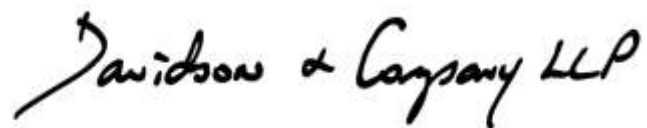
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 29, 2021

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

	December 31, 2020	December 31, 2019 (Restated – Notes 3 and 17)	January 1, 2019 (Unaudited) (Restated – Notes 3 and 17)
ASSETS			
Current			
Cash	\$ 4,904,562	\$ 80,078	\$ 43,689
Receivables	69,997	-	-
Prepays and advances	39,178	-	-
	5,013,737	80,078	43,689
Equipment (Note 6)	11,426	-	-
Deferred acquisition costs (Note 5)	-	3,265,363	2,096,970
Exploration and evaluation assets (Note 7)	16,726,267	-	-
	\$ 21,751,430	\$ 3,345,441	\$ 2,140,659
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Notes 8 and 11)	\$ 2,055,290	\$ 48,249	\$ 38,233
Related party loans (Note 11)	156,990	71,075	422,568
	2,212,280	119,324	460,801
Reclamation provision (Note 7)	51,630	-	-
	2,263,910	119,324	460,801
SHAREHOLDERS' EQUITY			
Share capital (Note 9)	22,837,377	3,348,913	1,732,533
Reserves (Note 9)	1,009,988	559,722	239,881
Deficit	(4,359,845)	(682,518)	(292,556)
	19,487,520	3,226,117	1,679,858
	\$ 21,751,430	\$ 3,345,441	\$ 2,140,659

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 16)

Subsequent events (Note 18)

Approved on behalf of the board by:

/s/ "David Stein"
David Stein, Director

/s/ "Dale Peniuk"
Dale Peniuk, Director

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

KUYA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in US Dollars)
For the year ended December 31,

	2020	2019 (Restated – Notes 3 and 17)
Property expenses		
Exploration and evaluation expenditures (Note 7)	\$ 9,008	\$ 1,502
	9,008	1,502
Administrative expenses		
Administrative costs	6,709	-
Consulting fees	23,457	-
Directors fees (Note 11)	22,632	-
Filing fees	35,067	-
Management fees (Note 11)	298,230	-
Marketing and investor relations	39,596	-
Office and miscellaneous	38,615	69,781
Professional fees (Note 11)	251,197	-
Share-based payments (Notes 9 and 11)	326,792	319,841
Shareholder communication	4,489	-
Transfer agent	4,206	-
Travel	2,277	-
	(1,053,267)	(389,622)
Operating loss	(1,062,275)	(391,124)
Foreign exchange loss	(172,263)	-
Interest income	12,288	1,162
Listing fee (Note 4)	(2,455,077)	-
	(2,615,052)	1,162
Loss for the year	(3,677,327)	(389,962)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit and loss		
Foreign currency translation adjustment	537,855	-
Loss and comprehensive loss for the year	\$ (3,139,472)	\$ (389,962)
Loss per common share – basic and diluted	\$ (0.20)	\$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	18,016,955	10,925,051

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

KUYA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US Dollars)

	Share Capital		Share-based reserves	Foreign currency translation reserves	Deficit	Total
	Number of shares	Amount				
December 31, 2018 (unaudited)						
(Restated – Notes 3 and 17)	5,065,533	\$ 1,732,533	\$ 239,881	\$ -	\$ (292,556)	\$ 1,679,858
Issuance of common shares for cash (Note 9)	1,018,233	1,057,380	-	-	-	1,057,380
Issuance of common shares on settlement of debt (Note 9)	559,000	559,000	-	-	-	559,000
Share-based payments (Note 9)	-	-	319,841	-	-	319,841
Loss for the year	-	-	-	-	(389,962)	(389,962)
December 31, 2019						
(Restated – Notes 3 and 17)	6,642,766	3,348,913	559,722	-	(682,518)	3,226,117
Issuance of common shares for cash (Note 9)	7,942,203	9,807,353	-	-	-	9,807,353
Share issue costs	-	(678,044)	-	-	-	(678,044)
	14,584,969	12,478,222	559,722			
Completion of RTO with Miramont (Note 4):						
Eliminate common shares of Kuya	(14,584,969)	-	-	-	-	-
Post-consolidation common shares, share capital and reserves of Miramont as at October 1, 2020	5,577,322	9,752,502	636,030	-	-	10,388,532
Eliminate pre-acquisition share capital and reserves of Miramont	-	(9,752,502)	(636,030)	-	-	(10,388,532)
Equity issued per RTO with Kuya	26,763,410	3,773,064	-	-	-	3,773,064
Miramont stock options deemed to be issued by Kuya on RTO	-	-	86,297	-	-	86,297
Miramont warrants deemed to be issued by Kuya on RTO	-	-	100	-	-	100
Issuance of common shares on acquisition of S&L Andes (Note 5)	3,929,288	6,084,497	-	-	-	6,084,497
Issuance of common shares on exercise of warrants (Note 9)	1,632,076	501,594	(500,778)	-	-	816
Share-based payments (Note 9)	-	-	326,792	-	-	326,792
Foreign currency translation	-	-	-	537,855	-	537,855
Loss for the year	-	-	-	-	(3,677,327)	(3,677,327)
December 31, 2020	37,902,096	\$ 22,837,377	\$ 472,133	\$ 537,855	\$ (4,359,845)	\$ 19,487,520

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

KUYA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)
For the year ended December 31,

	2020	2019 (Restated – Notes 3 and 17)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (3,677,327)	\$ (389,962)
Adjust for items not involving cash:		
Depreciation	345	-
Share-based payments	326,792	319,841
Unrealized foreign exchange loss	172,263	-
Listing fee	2,455,077	-
Change in non-cash working capital items:		
Receivables	(55,145)	-
Prepays and advances	(21,809)	-
Accounts payable and accrued liabilities	84,847	69,016
Net cash used in operating activities	(714,957)	(1,105)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of S&L Andes (Note 5)	(4,191,822)	-
Deferred acquisition costs	(1,383,166)	(1,168,393)
Net cash used in investing activities	(5,574,988)	(1,168,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	9,808,169	1,057,380
Share issue costs	(678,044)	-
Funds received from Miramont (Note 4)	1,102,761	-
Proceeds from short term credit facility	378,644	-
Proceeds from related party loans	239,341	353,507
Repayment of related party loans	(160,792)	(205,000)
Net cash provided by financing activities	10,690,079	1,205,887
Change in cash	4,400,134	36,389
Effect of foreign exchange on cash	424,350	-
Cash, beginning of year	80,078	43,689
Cash, end of year	\$ 4,904,562	\$ 80,078

Supplemental cash flow information (Note 12)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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”) (Note 4). Miramont was incorporated on July 15, 2015 under the Business Corporations Act (British Columbia). As part of the RTO, Miramont consolidated its share capital on a 10:1 basis effective October 1, 2020. All share and per share amounts of Miramont and the Company in these financial statements reflect the 10:1 consolidation. Pursuant to RTO accounting, these consolidated financial statements reflect the historical financial statements of Kuya, the accounting acquirer, and reflect the RTO transaction as if Kuya acquired Miramont effective October 1, 2020. On completion of the RTO transaction, Miramont, the accounting acquiree, changed its name to Kuya Silver Corporation. The Company’s head office and principal address is located at 401 - 217 Queen Street West, Toronto, ON, M5V 0R2. The Company’s registered and records office is located at 40440 Thunderbird Ridge, Squamish, BC, V8B 0G1. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol KUYA (formerly MONT).

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

In December 2020, the Company entered into a letter of intent with First Cobalt Corp. (“FCC”) to acquire a portion of their silver mineral exploration assets in the Cobalt camp of north-eastern Ontario, Canada, and to form a joint venture on the balance of their silver mineral assets in the camp (Note 18). This transaction closed on February 26, 2021.

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 and Kuya raised capital in the current and previous reporting periods through private placements of its common shares and through Miramont’s funds obtained as part of the RTO, 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.

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

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

2. BASIS OF PRESENTATION

Statement of compliance

These 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.

Approval of the consolidated financial statements

These consolidated financial statements were authorized by the Board of Directors of the Company on April 29, 2021.

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

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Kuya Silver Corporation, is the Canadian dollar, and the functional currency of each of the Company's subsidiaries is the Canadian dollar. Kuya Silver Inc. and its subsidiaries changed their functional currency from the US dollar to the Canadian dollar upon the completion of the RTO. The change was applied prospectively as the impact on the prior year was not material. The presentation currency of the Company is the United States ("US") dollar. Canadian dollars are represented by CAD \$.

2. BASIS OF PRESENTATION (cont'd...)

Principles of consolidation

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

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

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.

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 (loss) and equity reserves.

2. BASIS OF PRESENTATION (cont'd...)

Significant estimates (cont'd...)

Accounting for acquisitions

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

Significant judgments

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

Carrying value and the recoverability of exploration and evaluation assets

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

Determination of functional currency

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

Business combinations

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

2. BASIS OF PRESENTATION (cont'd...)

Significant judgments (cont'd...)

Recovery of deferred tax assets

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

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: FVTPL; 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial liabilities (cont'd...)

The Company's financial liabilities consist of accounts payable and accrued liabilities and related party loans, which 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.

Equipment

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

Field equipment	10 years
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Exploration and evaluation assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets (cont'd...)

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 mineral reserves and mineral resources. 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 at the time the securities are received.

Exploration and evaluation assets – change in accounting policy

During the year ended December 31, 2020, the Company changed its accounting policy from previously expensing all exploration and evaluation costs to deferring or capitalizing costs related to the acquisition of a property or of a company holding a mineral property. This change was made to more correctly reflect acquisition cost treatment and has been applied retroactively (Note 17).

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.

Impairment of long-lived assets

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.

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 unless the interest expense meets the criteria for capitalization to the cost of an asset.

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 income (loss) attributable to common shares of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings 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 shares at the average market price during the reporting periods. In periods where there is a loss, diluted loss per share is equal to basic loss per share, as the effect would be anti-dilutive. 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.

The financial statements of entities that have a functional currency different from that of the Company are translated into Canadian dollars as follows: assets and liabilities at the closing rate at the date of the statement of financial position, and income and expenses at the average rate for the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity. When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiaries are reallocated between controlling and non-controlling interests.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation (cont'd...)

The translation of the consolidated financial statements to the presentation currency is translated as follows: assets and liabilities are translated at the exchange rate prevailing at the statement of financial position date and revenue and expenses are translated at average rates for the period, with all resulting exchange differences recognised in other comprehensive income.

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, 2021. 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.

4. REVERSE TAKEOVER TRANSACTION

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

On October 1, 2020, Miramont issued 26,763,410 post-consolidation common shares (“Payment Shares”) for the acquisition of all of the issued and outstanding shares of Kuya. The former shareholders of Kuya obtained control of Miramont and, as such, the transaction is considered a purchase of Miramont by Kuya and is accounted for as an RTO in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. Kuya is deemed to be the acquiring company and its assets, liabilities, equity and historical operating results are included at their historical carrying values. The net assets of Miramont were recorded at fair value as at the Transaction date. 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 consolidated financial statements are for the year ended December 31, 2020, 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).

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4. REVERSE TAKEOVER TRANSACTION (cont'd...)

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

Consideration deemed to be paid by Kuya:

Fair value of common shares retained by Miramont shareholders	
5,577,323 common shares at CAD \$0.90 per share ⁽¹⁾	\$ 3,773,064
Fair value of Miramont's stock options and warrants deemed to be issued by Kuya ⁽²⁾	86,397
	<u>\$ 3,859,461</u>

Fair value of Miramont's net assets:

Cash	\$ 1,102,761
Receivables	8,572
Prepays and advances	17,369
Equipment	12,013
Loan receivable from Kuya ⁽³⁾	376,175
Accounts payable and accrued liabilities	(112,506)
	<u>\$ 1,404,384</u>
Excess recorded as a listing expense	<u>\$ 2,455,077</u>

⁽¹⁾ the CAD \$0.90 per share was the issue price of Kuya's subscription receipts financing after adjusting for the Exchange Ratio.

⁽²⁾ All outstanding options and warrants of Miramont, were adjusted for the 10:1 share consolidation and were deemed to be issued by Kuya as part of the RTO. The fair value of the options for an option holder not continuing with the Company was calculated using the Black-Scholes option pricing model assuming a life expectancy of one year, a risk free interest rate of 0.24%, a forfeiture rate of nil, and volatility of 95%. The fair value of options for directors, officers and consultants continuing with the Company were calculated using the Black-Scholes option pricing model assuming a life expectancy of 3 years, a risk free interest rate of 0.25%, a forfeiture rate of nil, and volatility of 137%. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a life expectancy of 1/3 of a year, a risk free interest rate of 0.24%, a forfeiture rate of nil, and volatility of 95%.

⁽³⁾ Miramont provided a CAD \$500,000 credit facility to Kuya that bore interest at 8% per annum and was to be repaid following closing of the Transaction.

5. ACQUISITION OF S&L ANDES

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

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

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

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

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

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

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

5. ACQUISITION OF S&L ANDES (cont'd...)

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

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

Cost of acquisition:

Common shares	\$	6,084,497
Cash		4,191,822
Deferred acquisition costs		4,623,213
	\$	14,899,532

Allocated as follows:

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

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6. EQUIPMENT

	Field equipment		Total
Cost			
December 31, 2019	\$	-	\$ -
Additions from RTO with Miramont (Note 4)		12,013	12,013
Adjustment on currency translation		(224)	(224)
December 31, 2020	\$	11,789	\$ 11,789
Accumulated depreciation			
December 31, 2019	\$	-	\$ -
Depreciation		345	345
Adjustment on currency translation		18	18
December 31, 2020	\$	363	\$ 363
Net Book Value			
December 31, 2019	\$	-	\$ -
December 31, 2020	\$	11,426	\$ 11,426

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

7. EXPLORATION AND EVALUATION ASSETS

Project	Bethania		Total
December 31, 2019	\$	-	\$ -
Additions from acquisition of S&L Andes (Note 5)		16,755,385	16,755,385
Adjustment on currency translation		(29,118)	(29,118)
December 31, 2020	\$	16,726,267	\$ 16,726,267

Bethania

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

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

As at December 31, 2020, the Company had recorded a reclamation provision in the amount of \$51,630 (2019 - \$nil) as an estimate for potential future reclamation and rehabilitation obligations on Bethania, based on activities on the project to date. The amount has been adjusted for inflation of 2% and then discounted using current market-based pre-tax discount rate of 5%.

Tres Banderas

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

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the year ended December 31, 2020 are as follows:

Project	Bethania	Tres Banderas	Total
Care and maintenance	\$ -	\$ 3,561	\$ 3,561
Engineering and permitting	5,102	-	5,102
Field supplies	345	-	345
Total	\$ 5,447	\$ 3,561	\$ 9,008

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

Project	Tres Banderas	Total
Care and maintenance	\$ 1,502	\$ 1,502
Total	\$ 1,502	\$ 1,502

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accounts payable	\$ 1,948,198	\$ 48,249
Accrued liabilities	107,092	-
	\$ 2,055,290	\$ 48,249

9. 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 December 31, 2020, the Company had not issued any preferred shares.

Issued share capital

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

	Shares outstanding		Share capital
Miramont			
Balance as at July 31, 2019	5,577,322	CAD \$	12,865,352
Warrants expired	-		97,352
Balance as at July 31, 2020 and October 1, 2020	5,577,322	CAD \$	12,962,704
Balance as at July 31, 2020 and October 1, 2020	5,577,322	\$	9,752,502
Kuya			
Balance as at December 31, 2018 (unaudited)	5,065,533	\$	1,732,533
Issuance of common shares for cash	1,018,233		1,057,380
Issuance of common shares on settlement of debt	559,000		559,000
Balance as at December 31, 2019	6,642,766		3,348,913
Issuance of common shares for cash	7,942,203		9,807,353
Share issue costs	-		(678,044)
Balance as at October 1, 2020	14,584,969	\$	12,478,222

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9. SHARE CAPITAL (cont'd...)

Issued share capital (cont'd...)

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

	Shares outstanding		Share capital
The Company			
Miramont balance as at October 1, 2020	5,577,322	\$	9,752,502
Eliminate pre-acquisition share capital of Miramont	-		(9,752,502)
Adjust share capital to that of Kuya upon RTO	-		12,478,222
	5,577,322		12,478,222
Equity issued per RTO with Kuya	26,763,410		3,773,064
Issuance of common shares on acquisition of S&L Andes	3,929,288		6,084,497
Issuance of common shares on exercise of warrants	1,632,076		501,594
	37,902,096	\$	22,837,377

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

- a) 464,583 common shares of Kuya at a price of \$1.20 per share by way of a non-brokered private placement, for total proceeds of \$557,500;
- b) 7,477,620 common shares of Kuya at a price of CAD \$1.65 per share by way of a brokered and a non-brokered private placement, for total proceeds of \$9,249,853. Share issue costs of \$678,044 were incurred in connection with this financing;
- c) 26,763,410 common shares of the Company in exchange for all of the issued and outstanding shares of Kuya (Note 4);
- d) 3,929,288 common shares of the Company, valued at \$6,084,497, pursuant to the acquisition of S&L Andes (Note 5); and
- e) 1,632,076 common shares of the Company, for proceeds of \$816, on the exercise of warrants.

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

- a) 1,225,000 common shares of Kuya at a price of \$1.00 per share by way of a non-brokered private placement, for total proceeds of \$1,225,000. The proceeds were comprised of cash of \$725,000 and the settlement of related party loans for \$500,000;
- b) 97,500 common shares of Kuya at a price of \$1.00 per share by way of a non-brokered private placement, for total proceeds of \$97,500;

9. SHARE CAPITAL (cont'd...)

Issued share capital (cont'd...)

- c) 195,733 common shares of Kuya at a price of \$1.20 per share by way of a non-brokered private placement, for total proceeds of \$234,880; and
- d) 59,000 common shares of Kuya at a price of \$1.00 per share in settlement of fees for services amounting to \$59,000.

Escrow shares

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

Stock options

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

Miramont's outstanding options at the time of the RTO were consolidated on a 10:1 basis and, for accounting purposes, were deemed to be issued by Kuya as part of the RTO Transaction. Following closing of the RTO Transaction, the Company granted 920,000 stock options (2019 - nil) to directors, officers, employees and consultants, with a total fair value \$550,781 (2019 - \$nil). The fair value was calculated using the Black-Scholes option pricing model assuming a life expectancy of 5 years (2019 - nil years), a risk free interest rate of 0.35% (2019 - nil%), a forfeiture rate of nil (2019 - nil), and volatility of 128% (2019 - nil%). During the year ended December 31, 2020, the Company expensed \$300,858 (2019 - \$nil), which was recorded in share-based payments.

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9. SHARE CAPITAL (cont'd...)

Stock options (cont'd...)

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

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

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

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

	Number of options		Weighted average exercise price (in CAD)
Balance as at October 1, 2020	302,500	\$	3.86
Granted	920,000		0.90
Balance as at December 31, 2020	1,222,500	\$	1.63

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9. SHARE CAPITAL (cont'd...)

Stock options (cont'd...)

As at December 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 (in CAD)	Weighted average remaining life (years)	Expiry date
30,000	30,000	\$ 3.70	2.18	March 6, 2023
155,000	155,000	\$ 3.75	2.38	May 17, 2023
30,000	30,000	\$ 3.75	0.75	October 1, 2022
75,000	50,000	\$ 4.15	3.14	February 21, 2024
12,500	12,500	\$ 4.15	0.75	October 1, 2022
920,000	426,667	\$ 0.90	4.75	October 1, 2025
1,222,500	704,167			

Share purchase warrants

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

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

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

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9. SHARE CAPITAL (cont'd...)

Share purchase warrants (cont'd...)

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

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

	Number of warrants		Weighted average exercise price (in CAD)
Balance as at October 1, 2020 and December 31, 2020	479,665	\$	5.00

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

Number of warrants		Exercise price (in CAD)	Weighted average remaining life (years)	Expiry date
479,665	\$	5.00	0.08	January 31, 2021 ⁽¹⁾
479,665				

⁽¹⁾ expired, unexercised subsequent to year end

9. SHARE CAPITAL (cont'd...)

Performance warrants

Performance warrants were granted in fiscal 2018 and each warrant entitled the holder to purchase one common share at a price of \$0.0005 per share and are exercisable on completion of the Company's 80% acquisition of S&L Andes. The outstanding Kuya warrants were adjusted by the Exchange Ratio described in Note 4 and they became exercisable on closing of the acquisition of S&L Andes, effective December 15, 2020 (Note 5).

During the year ended December 31, 2020, 1,632,076 (2019 - nil) performance warrants were exercised; accordingly, the \$500,778 (2019 - \$nil) issue-date fair value associated with the warrants was reclassified from reserves to share capital.

During the year ended December 31, 2020, the Company expensed \$25,934 (2019 - \$319,841), related to performance warrants, which was recorded in share-based payments.

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

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

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

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

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9. SHARE CAPITAL (cont'd...)

Performance warrants (cont'd...)

As at December 31, 2020, the Company had outstanding performance warrants enabling the holders to acquire common shares as follows:

Number of warrants	Exercise price	Weighted average remaining life (years)	Expiry date
276,624	\$ 0.0005	0.33	April 30, 2021 ⁽¹⁾
276,624			

⁽¹⁾ subsequent to December 31, 2020, the Company issued 276,624 common shares for total proceeds of \$138, pursuant to the exercise of performance warrants

10. INCOME TAXES

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

	2020	2019
Loss before income taxes	\$ (3,677,327)	\$ (389,962)
Expected income tax recovery	\$ (974,000)	\$ (103,000)
Change in statutory, foreign tax, foreign exchange rates and other	(37,000)	-
Permanent differences	809,000	-
Share issue costs	(995,000)	-
Adjustment to prior years provision versus statutory tax returns	(612,000)	-
Change in unrecognized deferred tax assets	1,809,000	103,000
Income tax expense (recovery)	\$ -	\$ -

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10. INCOME TAXES (cont'd...)

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

	2020	2019
Exploration and evaluation assets	\$ 456,000	\$ -
Share issue costs	23,000	-
Non-capital losses	1,448,000	118,000
	1,927,000	118,000
Unrecognized deferred tax assets	(1,927,000)	(118,000)
Net deferred tax assets	\$ -	\$ -

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	\$ 1,719,000	N/A
Share issue costs	87,000	2021 to 2023
Non-capital losses	5,276,000	2035 to 2040

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

11. RELATED PARTY TRANSACTIONS

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

	2020	2019
Directors fees	\$ 22,632	\$ -
Management fees	171,294	\$ -
Professional fees	10,063	-
Share-based payments	135,890	308,577
	\$ 339,879	\$ 308,577

As at December 31, 2020, included in accounts payable and accrued liabilities was \$170,878 (2019 - \$119,324) owing to officers and directors.

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11. RELATED PARTY TRANSACTIONS (cont'd...)

As at December 31, 2020, a director was owed \$156,990 (2019 - \$71,075) for shareholder loans. These unsecured loans are due on demand and bear no interest. During the year ended December 31, 2020, a director advanced Kuya a total of \$239,341 (2019 - \$353,507) and was repaid \$160,792 (2019 - \$205,000) in cash with a further \$nil (2019 - \$500,000) settled through the issuance of shares.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2020	2019
Share issue costs included in accounts payable and accrued liabilities	\$ 1,814	\$ -
Reclassification of deferred acquisition costs to acquisition of S&L Andes (Note 5)	4,623,213	-
Reclassification of reserves to share capital on exercise of warrants	500,778	-
Shares issued on RTO with Miramont (Note 4)	3,773,064	-
Shares issued on acquisition of S&L Andes (Note 5)	6,084,497	-
Shares issued on conversion of due to related party	-	500,000
Shares issued on settlement of accounts payable	-	59,000

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13. SEGMENTED INFORMATION

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

	Canada		Peru		Total
As at December 31, 2020					
Exploration and evaluation assets	\$	-	\$	16,726,267	\$ 16,726,267
Other assets		4,984,141		41,022	5,025,163
Total assets	\$	4,984,141	\$	16,767,289	\$ 21,751,430
For the year ended December 31, 2020					
Loss	\$	(3,659,275)	\$	(18,052)	\$ (3,677,327)
	Canada		Peru		Total
As at December 31, 2019					
Other assets	\$	80,078	\$	3,265,363	\$ 3,345,441
Total assets	\$	80,078	\$	3,265,363	\$ 3,345,441
For the year ended December 31, 2019					
Loss	\$	(388,460)	\$	(1,502)	\$ (389,962)

14. FINANCIAL INSTRUMENT RISK

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at December 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 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.

14. 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 December 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:

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 \$184,000 recorded in profit or loss for the year ended December 31, 2020. The effect of a 10% change in the foreign exchange rate on monetary balances held in CAD dollar and soles accounts would be approximately \$282,000 recorded in other comprehensive income or loss for the year ended December 31, 2020.

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 \$45,000 in interest income for the year ended December 31, 2020.

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.

14. FINANCIAL INSTRUMENT RISK (cont'd...)

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

15. CAPITAL MANAGEMENT

The Company defines capital as cash, debt, and the components of shareholders' equity. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of its exploration and evaluation assets, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors. The Company does not have any externally imposed capital requirements. There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2020.

16. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2020, the Company has a commitment to pay monthly fee of \$5,000 for advisory services to one of the former shareholders of S&L Andes for as long as they maintain a share ownership position of more than five percent of the Company.

Contingencies

As at December 31, 2020, the Company has the following contingencies:

- a) In 2018, S&L Andes filed an arbitral claim against Compañía Minera San Valentín S.A.C. (“San Valentín”) before the Lima Chamber of Commerce in the amount of \$904,856, alleging underpayment from toll milling services. S&L Andes withheld payment of \$140,000, included in accounts payable and accrued liabilities as at December 31, 2020, due to San Valentín pending resolution of this claim and review by the Peruvian Board of Engineers. Subsequent to December 31, 2020, the review was cancelled and the case was moved for final deposition; and
- b) In the normal course of business, S&L Andes incurred legal claims which in the Company’s opinion are not material, individually or collectively. The largest claim involves a historical workplace injury, to which a court awarded the claimant 452,157 Peruvian Soles (approximately \$125,000) in 2020, which was included in accounts payable and accrued liabilities as at December 31, 2020.

17. CHANGE IN ACCOUNTING POLICY

The Company has adopted a revised accounting policy with respect to exploration and evaluation expenditures. In prior years the Company’s policy was to expense all costs directly related to the acquisition, exploration and evaluation of mineral properties. The Company has elected to change this accounting policy to now defer or capitalize costs related to the acquisition of a mineral property or of a company holding a mineral property, effective with the presentation of these consolidated financial statements, on a retrospective basis.

The significant accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2020, the comparative information for the year ended December 31, 2019, and the preparation of an unaudited opening statement of financial position on January 1, 2019.

In preparing its opening consolidated statement of financial position, the Company has adjusted amounts reported previously in the consolidated financial statements. An explanation of how the transition from the amounts previously reported has affected the Company’s financial position, financial performance, and cash flows is set out below.

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17. CHANGE IN ACCOUNTING POLICY (cont'd...)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – as at January 1, 2019

	As previously reported January 1, 2019	Effect of policy change	Restated under revised policy January 1, 2019
ASSETS			
Other assets	\$ 43,689	\$ -	\$ 43,689
Deferred acquisition costs (Note 17a)	-	2,096,970	2,096,970
	\$ 43,689	\$ 2,096,970	\$ 2,140,659
LIABILITIES			
Other liabilities	\$ 460,801	\$ -	\$ 460,801
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital and reserves	1,972,414	-	1,972,414
Deficit (Note 17a)	(2,389,526)	2,096,970	(292,556)
	(417,112)	2,096,970	1,679,858
	\$ 43,689	\$ 2,096,970	\$ 2,140,659

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17. CHANGE IN ACCOUNTING POLICY (cont'd...)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – as at December 31, 2019

	As previously reported December 31, 2019		Effect of policy change		Restated under revised policy December 31, 2019
ASSETS					
Other assets	\$ 80,078	\$	-	\$	80,078
Deferred acquisition costs (Note 17b)	-		3,265,363		3,265,363
	\$ 80,078	\$	3,265,363	\$	3,345,441
LIABILITIES					
Other liabilities	\$ 119,324	\$	-	\$	119,324
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital and reserves	3,908,635		-		3,908,635
Deficit (Note 17b)	(3,947,881)		3,265,363		(682,518)
	(39,246)		3,265,363		3,226,117
	\$ 80,078	\$	3,265,363	\$	3,345,441

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17. CHANGE IN ACCOUNTING POLICY (cont'd...)

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS – as at December 31, 2019

	As previously reported December 31, 2019	Effect of policy change	Restated under revised policy December 31, 2019
Property expenses			
Exploration and evaluation expenditures (Note 17c)	\$ 1,169,895	\$ (1,168,393)	\$ 1,502
Administrative expenses	(389,622)	-	(389,622)
Operating loss	(1,559,517)	(1,168,393)	(391,124)
Interest income	1,162	-	1,162
Loss and comprehensive loss for the year	\$ (1,558,355)	\$ (1,168,393)	\$ (389,962)
Loss per common share – basic and diluted	\$ (0.14)	\$ -	\$ (0.04)
Weighted average number of common shares outstanding – basic and diluted			
	10,925,051	-	10,925,051

An explanation of how the transition from the amounts previously reported has affected the Company's financial position and financial performance is set out below.

- (a) Consolidated Statements of Financial Position – as at January 1, 2019
- i. Deferred acquisition costs increased by \$2,096,970 representing accumulated exploration and evaluation expenditures previously expensed, which has been adjusted to deficit.
- (b) Consolidated Statements of Financial Position – as at December 31, 2019
- i. Deferred acquisition costs increased by \$3,265,363 representing accumulated exploration and evaluation expenditures previously expensed, which has been adjusted to deficit.
- (c) Consolidated Statements of Loss and Comprehensive Loss – year ended December 31, 2019
- i. Exploration and evaluation expenditures decreased by \$1,168,393 based on exploration and evaluation costs on Bethania for fiscal 2019, with an offsetting entry to deferred acquisition costs.

The change in the accounting policy had no effect on the Company's consolidated statement of changes in shareholders' equity, other than the changes to deficit, as already shown and described above. Accordingly, no separate consolidated statement of changes in shareholders' equity is shown.

17. CHANGE IN ACCOUNTING POLICY (cont'd...)

The changes to the consolidated statement of cash flow for the year ended December 31, 2019 are summarized as follows:

- i. Net cash used in operating activities decreased by \$1,168,393 based on reclassification of exploration and evaluation expenditures to investing activities, being the deferred acquisition costs for the year.
- ii. Net cash used in investing increased by a corresponding amount as described above in note (i).

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, in addition to the updates disclosed in notes 9 and 16, the Company:

- a) entered into a share purchase and option agreement (the "Purchase Agreement") with FCC to acquire a portion of FCC's silver mineral exploration assets (the "Kerr Assets") from FCC and an option to acquire up to a 70% interest in and to the balance of FCC's silver mineral assets ("Remaining Assets") located in the Cobalt, Ontario silver mining district (the "Option").

Pursuant to the Purchase Agreement, the Company paid \$788,750 (CAD \$1,000,000) and issued 1,437,470 common shares to acquire 100% of the Kerr Assets.

To exercise the Option on the Remaining Assets, the Company must pay FCC an initial CAD \$1,000,000 within six months of closing and can earn up to a 70% interest in the Remaining Assets by paying FCC up to an additional CAD \$1,000,000 in cash or common shares of the Company and incur up to CAD \$4,000,000 of expenditures on the Remaining Assets. Additional payments of up to CAD \$5,000,000 in cash or common shares of the Company will be due to FCC following completion of a maiden mineral resource estimate, depending on the number of silver equivalent ounces in the mineral resource; and

- b) issued 50,000 common shares pursuant to the exercise of options, for proceeds of CAD \$45,000.