



## **Kuya Silver Announces Results of Independent Preliminary Economic Assessment**

**Project NPV (5%) of \$64.9 Million (Pre-Tax) and \$46.2 Million (After-Tax) at \$22.86/oz Silver Price  
Robust After-Tax Payback of 0.60 Years with Pre-Production Toll Milling at \$22.86/oz Silver Price  
PEA Webinar to Be Held on Thursday, May 5<sup>th</sup> at 1:00PM ET (details below)**

Vancouver, BC, May 4, 2022 – Kuya Silver Corporation (CSE: KUYA) (OTCQB: KUYAF) (Frankfurt: 6MR1) (the “**Company**” or “**Kuya Silver**”) is pleased to announce the summary results of a positive Preliminary Economic Assessment (“**PEA**”) on the Bethania Silver Project (the “**Project**”). All financial figures in this news release are stated in United States dollars unless otherwise noted.

### **PEA Highlights:**

- **Base case (\$25.40/oz silver price) Pre-Tax NPV (5%) of \$77.8 Million and IRR of 227%**
  - **Base case (\$25.40/oz silver price) After-Tax NPV (5%) of \$54.7 Million and IRR of 188%**
  - **Pre-production toll milling option would generate gross margin of \$9.5 Million during construction at base case, would accelerate after-tax payback period to 0.50 years**
  - **After-tax cash flow of \$18.04 Million in first full year of production (base case)**
  - **Life of Mine (“LOM”) after-tax free cash flow of \$65.3 Million (base case)**
  - **Initial Capital Cost Estimated at \$14.2 Million plus 25% contingency of \$3.6 Million**
  - **All-In Sustaining Costs of \$10.48/oz silver eq. in first year, \$12.15/oz silver eq. over LOM**
  - **Silver production of 1.37 Million oz eq. in first year, 8.68 Million oz eq. over LOM**
  - **Production (head) grade of 13.8 oz/t (or 429 g/t) silver eq. in pre-production year, 10.1 oz/t (or 315 g/t) silver eq. over LOM**
  - **Kuya Silver to present the results of the PEA on Thursday, May 5<sup>th</sup> at 10:00AM PT / 1:00PM ET.**
- **Webinar Registration: <https://event.webinarjam.com/register/3/p512nh4>**

David Stein, Kuya’s President and CEO stated, “We are extremely pleased with the results of the independent PEA, confirming our vision that the Bethania Silver Project can and should be a low-cost silver producer in the future. We are pleasantly surprised by the low production cost profile, manageable CapEx and quick payback of the Project. Although the PEA gives us an excellent roadmap to pursue development of the Project, Kuya already sees opportunities to further optimize the Project and will pursue these ideas as we continue to develop the Project.”

### **Preparation of the Preliminary Economic Assessment**

The PEA was prepared by Mining Plus (“**MP**”), with contributions from other consultants. The PEA was prepared in accordance with the requirements of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”), and has an effective date of April 6, 2022. The PEA is based on the Mineral Resource estimate for the Project as set out in “National Instrument 43-101 Technical Report and Maiden Mineral Resource Estimate on the Bethania Silver Project, Department of Huancavelica, Province of Huancavelica, District of Acobambilla, Peru,” a technical report prepared for the Company with an issue date of February 21, 2022, an effective date of January 6, 2022, and an effective date of December 10,

2021 for the Mineral Resource estimate (see the Company’s February 22, 2022 news release). A technical report relating to the PEA, prepared in accordance with NI 43-101, will be filed on SEDAR and posted on the Company’s website within 45 days of this news release.

The PEA is preliminary in nature, contains numerous assumptions, and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the results of the PEA will be realized. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no assurance that Inferred Mineral Resources will ever be upgraded to Mineral Reserves. No Mineral Reserves have been estimated for Bethania.

In this news release, the terms “Mineral Resource,” “Inferred Mineral Resource,” “Indicated Mineral Resource,” and “Mineral Reserve” have the meanings given to them in NI 43-101 by reference to the “Definition Standards for Mineral Resources and Mineral Reserves” (2014) of the Canadian Institute of Mining and Metallurgy.

For the PEA base case, the following metal price assumptions were used: Silver \$25.40/oz, Gold \$1850/oz, Zinc \$1.21/lb, Lead \$0.90/lb, and Copper \$3.62/lb. The Company recognizes that silver prices have been especially volatile recently, and therefore readers should review the economic sensitivity to silver price shown in Table 7 of this news release.

### Development Strategy

The PEA envisages a 350 tonne per day (“tpd”) conventional cut and fill underground mine feeding a concentration plant that would process mineralized material at the same rate (126,000 tonnes per year) over a mine life of 6.5 years. The PEA recognizes the potential to toll-mill mineralized material during the final six months of the plant construction (“Toll-Milling Option”) and modelled this as the base case in the PEA. While the Company needs to further investigate the logistics, benefits and risks of this potential strategy, in the analysis presented in the PEA, the Toll-Milling Option would greatly enhance the internal rate of return (“IRR”) of the Project (188% after-tax IRR) and reduce the after-tax payback period to 0.5 years. The payback period is measured from the start of the first full year of production (Year 1).

### Mineral Resources

**Table 1: Mineral Resource Estimate used for the PEA.**

Category	Tonnage	GRADE						CONTAINED METAL	
		Ag	Pb	Zn	Au	Cu	AgEq	Ag	AgEq
		(oz/t)	(%)	(%)	(g/t)	(%)	(oz/t)	(oz)	(oz)
Indicated	404,000	10.7	2.63	1.95	0.26	0.16	14.5	4,317,540	5,858,521
Inferred	700,000	8.0	2.51	1.58	0.24	0.12	11.4	5,600,256	8,006,431

Note: Metal price assumptions used for the Mineral Resource estimate were different than those used for the PEA. Silver equivalent (AgEq) is calculated using metal prices of \$1,849.78/oz gold, \$25.44/oz silver, \$1,981.79/t lead, \$2,658.62/t zinc, and \$7,971/t copper, and by applying recovery factors of 0.4439, 0.9324, 0.9449, 0.9265, and 0.8829, respectively.

## Mining

The analysis of potential mining methods consisted of a qualitative analyses, including the University of British Columbia analysis method, geomechanical evaluation, and operational evaluation and a quantitative analysis (*i.e.* financial). It was determined that conventional cut and fill with waste back-fill was the preferred mining technique.

- Total tonnes to be mined was estimated to be 857,078 tonnes over the life of mine (including the Toll-Milling Option)
- Mining recovery of 95%, mine dilution varies between 3.3% and 16.4% depending on stope width.
- 70% of the stopes are between 0.6 - 1 meters of mining width, 10% of stopes are between 1.0 - 1.2 meters, 12% of are between 1.2 - 2 meters and 8% of stopes are between 2 - 5.1 meters.
- Average production over the mine life from the three vein systems: 12 de Mayo at 100 tpd, Española at 153 tpd, and Victoria at 97 tpd.
- Mine development over the mine life is planned to be 27,428 metres, including 2,154 metres prior to the plant start-up and 5,491 metres in the first full year.
- To determine the mining cut-off, information was collected from similar projects in Peru to support the economic analysis and a break even cut-off of \$98.95/t was determined.

**Table 2: Production Schedule Summary.**

	Pre-production	Year 1	Total LOM
<b>Mineralized material (t)</b>	40,142	125,452	857,078
<b>NSR (US\$/t)</b>	306	238	218
<b>Ag (oz/t)</b>	12.31	9.23	8.21
<b>Au (g/t)</b>	0.15	0.16	0.2
<b>Cu (%)</b>	0.14	0.11	0.12
<b>Pb (%)</b>	2.11	2.57	2.32
<b>Zn (%)</b>	1.93	1.27	1.54

**Table 3: Production by Mineral Resource Category.**

Category	Tonnes (t)	Ag (oz/t)	Pb (%)	Zn(%)	Cu(%)	Au (g/t)	NSR (US\$/t)	% Distribution
Indicated	310,710	9.34	2.24	1.7	0.14	0.23	243	36%
Inferred	546,368	7.57	2.37	1.46	0.11	0.19	203	64%
<b>Total</b>	<b>857,078</b>	<b>8.21</b>	<b>2.32</b>	<b>1.54</b>	<b>0.12</b>	<b>0.2</b>	<b>218</b>	<b>100%</b>

## Recovery Methods (Processing)

A conventional flotation plant has been envisaged to be consistent with the Company's existing permits. The plant design includes:

- Two-stage crushing
- A single grinding and classification stage
- One bulk flotation circuit
- One Lead/Copper separation flotation circuit
- One Zinc flotation circuit

- One Zinc regrinding circuit
- Thickening and filtration stages for lead and zinc concentrates
- One tailings thickener for water recovery

Based on historical metallurgical testing and subsequent analysis, average recoveries for various metals are modelled to be:

- Silver, 92%
- Lead, 90%
- Zinc, 81%
- Copper, 64%
- Gold, 34%

### Additional Project Infrastructure

In addition to infrastructure that already exists at the Project, the PEA envisages the construction and development of:

- Process plant
- Tailings storage facility (“TSF”)
- Access road and connecting road network
- Coarse mineralized rock stockpile
- Overburden storage areas
- Water management ponds
- Water treatment facility
- Power plant, process plant sub-station and general substation

### Capital Costs

The capital cost estimate has been developed to provide an estimate suitable for the PEA, including costs to design, procure, construct, and commission the facilities.

**Table 4: Summary of Capital Cost Estimates.**

Description	US\$		
	Initial	Sustaining	Total
<b>CAPEX</b>			
Mine	\$2.4M	\$2.7M	\$5.2M
Process Plant	\$6.6M	\$0.0M	\$6.6M
Tailings and Waste Rock Disposal	\$3.2M	\$0.8M	\$4.0M
Surface Components	\$1.3M	\$0.0M	\$1.3M
Owner’s Costs	\$0.7M	\$0.0M	\$0.7M
Mine Closure	\$0.0M	\$1.9M	\$1.9M
<b>Total Capital Cost Pre - Contingency</b>	<b>\$14.2M</b>	<b>\$5.4M</b>	<b>\$19.6M</b>
Contingency Costs (25%)	\$3.6M	\$1.4M	\$4.9M
<b>Total Capital Cost</b>	<b>\$17.8M</b>	<b>\$6.8M</b>	<b>\$24.5M</b>

## Operating Costs

Operating cost estimates have been developed to provide an estimate suitable for a PEA, including costs for mining and processing. The expected accuracy range of the operating cost estimate is +25%/-30%. For treatment and refining costs market rates provided by the Company from a November 2021 market study were used.

**Table 5: Summary of Life-Of-Mine Operating Costs.**

Operating Costs	LOM (US\$)	US\$/tonne milled
Mining	\$31.4M	36.67
Processing	\$20.6M	25.72
Third party processing cost (*)	\$1.4M	
Tails and Waste Rock Placement	\$0.5M	0.59
Onsite G&A	\$14.1M	16.49
<b>Total Operating Costs</b>	<b>\$68.1M</b>	<b>79.46</b>
Treatment & Refining Charges	\$33.9M	39.54
Community Participation	\$0.9M	1.00
<b>Total Cash Costs</b>	<b>\$102.8M</b>	<b>120.01</b>
Sustaining Costs	\$3.4M	<b>4.13</b>
<b>All-in Sustaining Costs ("AISC")</b>	<b>\$106.2M</b>	<b>124.14</b>

## Economic Analysis

The financial analysis was carried out using a discounted cash flow methodology, using a 5% discount rate for the base case. By including the Toll-Milling Option in the analysis preproduction (Year 0) income is generated prior to the completion of the processing facility. An assumption of \$35/t for third party processing expenses was used for the Toll-Milling Option.

**Table 6: Production and Cost Analysis.**

Production and Cost Profile	Pre-Production (toll-milling)	Year 1	Total LOM
Production (mt)	40	125	857
Silver, recovered (moz)	453	1,061	6,448
Silver, payable (moz)	428	1,004	6,101
Silver equivalent, payable (moz)	554	1,373	8,682
Silver revenue by %	77%	73%	70%
Silver grade	12.3 oz/t (383 g/t)	9.23 oz/t (287 g/t)	8.21 oz/t (255 g/t)
Silver equivalent grade	13.8 oz/t (429 g/t)	10.9 oz/t (340 g/t)	11.7 oz/t (315 g/t)
All-in Sustaining Cost ("AISC") (\$/oz equivalent)	8.27	10.48	12.15

**Table 7: Project Economics Summary and Sensitivity to Silver Price.**

	Economics Summary	80% Price Ag 20.32 \$/oz	90% Price Ag 22.86 \$/oz	Price Ag 25.4 \$/oz	110% Price Ag 27.94 \$/oz	120% Price Ag 30.48\$/oz
Pre-Tax	NPV (5%)	\$51.9M	\$64.9M	\$77.8M	\$90.8M	\$103.7M
	IRR	130%	173%	227%	298%	392%
	Payback	0.68	0.53	0.41	0.32	0.24
After-Tax	NPV (5%)	\$37.7M	\$46.2M	\$54.7M	\$63.2M	\$71.7M
	IRR	116%	148%	188%	237%	304%
	Payback	0.70	0.60	0.50	0.40	0.3

**Note on Assumptions**

The PEA results are based on important assumptions made by the Qualified Persons who prepared the PEA. These assumptions, including those mentioned above, and the justifications for them, will be described in the technical report relating to the PEA that the Company will file on SEDAR and post on the Company's website within 45 days of this news release.

Metal price assumptions are particularly important for an economic analysis of any mineral project. As noted above, the Qualified Persons used the following assumptions in the PEA: Silver \$25.40/oz, Gold \$1850/oz, Zinc \$1.21/lb, Lead \$0.90/lb, and Copper \$3.62/lb. The price of silver has been highly volatile over the past two years, making it challenging to select an appropriate price for the purpose of the PEA, but the Company considers \$25.40/oz to be a reasonable base case under the circumstances. Since the beginning of 2021, the closing daily price of silver has ranged between \$21.49 and \$29.42, and the price of silver exceeded \$26.00/oz as recently as April 18, 2022. Further, the pricing assumptions used in the PEA for zinc and lead are conservative, which moderates or counterbalances the economic effect of the base case pricing assumption for silver. Finally, in Table 7 above, the economics of the Project are summarized using a range of pricing assumptions for silver, including assumptions equal to 80% and 90% of the base case.

In addition to the assumptions described throughout this news release, the Qualified Persons were required to make various assumptions on technical, economic, financial, regulatory, and operational matters, including but not limited to the following:

- A financial model was completed based on the mine plan, which assumes the commencement of production in 2023 with a mine production at 350 tpd, in addition to other inputs such as mining inventory and rates, processing throughputs and metallurgical recoveries, capital and operating costs, royalties, and government royalty and taxation parameters.
- Taxes that should be recoverable by the Company (*e.g.*, IGV, or VAT) have not been included in the economic analysis.
- The PEA assumes that all material permits and licenses have been received or will be received in a timely manner that will not affect the development schedule. For more information on the status of permits for the Bethania Project, see Kuya Silver's most recent Annual Information Form (April 20, 2022) which can be accessed from [www.sedar.com](http://www.sedar.com).

- The Company has developed and maintained good positive relationships with the Project's stakeholders, including a land usage agreement with the local Poroche community. The agreements include a royalty payment of \$0.25/t + VAT on mined material from the Bethania concession and \$0.75/t + VAT for every tonne treated at the Bethania plant.
- Metallurgical recovery rates for both silver and gold consist of a combination of metals recovered from the lead and copper concentrates.

The following outlines the main taxation considerations applied in the financial model, according to the Peruvian tax regime for mining companies:

- (i) A standard corporate tax rate of 29.5% is applied to taxable income;
- (ii) A special mining tax is applied to operating profit resulting from the mining activity, the effective rate of which is calculated based on the operating margin and falls in the 3-4% range; and
- (iii) workers' profit participation of 8% is applied to taxable income.

All-in sustaining costs ("AISC") consist of direct operating costs (mining, processing, tailings and waste rock disposal, site G&A) plus treatment and refining costs (including penalties), government royalties, community participation and sustain capital expenditures.

Although the Company believes that the assumptions underpinning the PEA are reasonable and appropriate, there can be no assurance that all of these assumptions will prove to be correct.

### **Qualified Persons**

The technical content of this news release has been reviewed and approved by Mr. Edgard Vilela, MAusIMM (CP), Principal Mining Consultant, Mining Plus, Scott Jobin-Bevans (Ph.D., PMP, P.Geo.), Principal Geoscientist, Caracle Creek International Consulting Inc., and Simon Mortimer (M.Sc., FAIG), each of whom is a Qualified Person as that term is defined by NI 43-101. Each of these Qualified Persons is independent of the Company.

### **About Kuya Silver Corporation**

Kuya Silver ([www.kuyasilver.com](http://www.kuyasilver.com)) is a Canadian-based mineral exploration and development company with a focus on acquiring, exploring, and advancing precious metals assets in Peru and Canada.

### **For further information, please contact the Company at:**

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### **PEA Webinar**

The Company will be hosting a webinar to review the results of the PEA on Thursday, May 5<sup>th</sup> at 10:00AM PT / 1:00PM ET. To register for the event please click the link below.

Registration link: <https://event.webinarjam.com/register/3/p512nh4>

**Reader Advisory**

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