KUYA SILVER CORPORATION

MANAGEMENT’S DISCUSSION AND ANALYSIS

SIX MONTHS ENDED JUNE 30, 2022

(Expressed in US Dollars)

Report Date – August 18, 2022

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MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and the financial condition of Kuya Silver Corporation ("Kuya Silver", the "Company", "we", or "our") as at and for the three and six months ended June 30, 2022. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes thereto for the six months ended June 30, 2022 and the audited annual consolidated financial statements and related notes as well as the related annual MD&A for the year ended December 31, 2021. References to "Kuya Silver" in this MD&A refer to the Company and its subsidiaries taken as a whole.

Readers are cautioned that this MD&A contains forward-looking statements about expected future events and financial and operating performance of the Company, and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary Note on Forward-Looking Statements included in this MD&A and to consult the Company's Annual Information Form ("AIF"), audited annual consolidated financial statements and corresponding notes as well as the MD&A for the year ended December 31, 2021, which are available under the Company's profile on the SEDAR website at www.sedar.com.

The Company's management is responsible for the preparation and presentation of the financial statements and this MD&A. The financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board and as included in Part 1 of the CPA Canada Handbook – Accounting and the interpretations of the International Financial Reporting Interpretations Committee, including IAS 34 Interim Financial Reporting. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument ("NI") 51-102 of the Canadian Securities Administrators.

All amounts disclosed in this MD&A are expressed in United States ("US") dollars ("USD"), unless otherwise noted. Canadian dollars are represented by CAD \$. Information contained herein is presented as at August 18, 2022 (the "Report Date") unless otherwise indicated.

COMPANY OVERVIEW

Kuya Silver is a mineral exploration and development company with a focus on acquiring, exploring and advancing precious metals properties in Peru and Canada. The Company's head office and principal address is located at 150 King Street West, Suite 200, Toronto, ON, M5J 1J9. The Company's registered and records office is located at 40440 Thunderbird Ridge, Squamish, BC, V8B 0G1. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol KUYA.

OVERVIEW OF EXPLORATION AND EVALUATION ASSETS

Bethania Silver Project (Huancavelica, Peru)

The Bethania Silver Project is comprised of the Bethania, Carmelita, Tres Banderas and Chinita concessions as detailed below and collectively covers approximately 4,845 hectares.

<u>Bethania</u>

On December 15, 2020, Kuya Silver completed the purchase of 100% of the shares of Minera Toro del Plata S.A.C. ("MTP"), 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 "Bethania") located in the district of Acobambilla, department of Huancavelica, Peru. MTP operated the Bethania mine from 2010 to 2016, by mining ore and trucking it to nearby plants for processing into concentrates.

<u>Carmelita Concessions</u>

On May 14, 2021, the Company announced the acquisition of three mineral concessions, Carmelita 2005, Carmelita 2005 I and Carmelita 2005 II concessions (collectively "Carmelita"), which are strategically located less than three kilometers west of Bethania, located in the district of Acobambilla, department of Huancavelica and in the district of Chongos Altos, department of Junín, Peru. The Carmelita concessions were host to small-scale mining activities until early 2020, producing silver-polymetallic material very similar to Bethania. Kuya Silver plans to incorporate Carmelita into its operating activities at Bethania going forward.

The total purchase price of $892,500 consisted of $492,500 in cash and $400,000 in common shares. Upon signing of the agreements, $293,500 was paid. The remaining $199,000 was due on May 14, 2022 (see below). The $400,000 in common shares in the capital of the Company is due to be issued on the eighteen-month anniversary of signing the agreements at a deemed price per common share equal to the 10-day average closing price of the common shares on the CSE, ending on the day prior to issuance. Prior to the cash payment due date of May 14, 2022, Kuya Silver and the vendor engaged in a process of renegotiating certain terms of these agreements, and we expect to complete the acquisition by the original eighteen-month anniversary of signing the agreements.

<u>Tres Banderas and Chinita Concessions</u>

The Tres Banderas and Chinita concessions are located primarily in the department of Huancavelica, Peru (with some concessions extending into the departments of Lima and Junín), in the vicinity of, or surrounding Bethania.

Chinita I is held by MTP and was included in the acquisition of MTP while Tres Banderas 01 and 02 were acquired through an open application process in 2019 and 2020.

On November 15, 2021, the Tres Banderas 03, Tres Banderas 04, Tres Banderas 05, Tres Banderas 06 and Tres Banderas 07 mineral claims (that are in the district of the Bethania concessions and claims) were acquired for a total cost of $565,000 via a sealed bid government auction, representing approximately 22 claim blocks.

Silver Kings Project (Ontario, Canada)

On March 1, 2021, the Company completed an agreement to acquire, from Electra Battery Materials Corporation ("Electra", formerly known as First Cobalt Corp.), certain silver mineral exploration assets (the "Kerr Assets"), as well as an option to acquire up to 70% of the balance of Electra's silver mineral exploration assets (the "Remaining Assets") located in the historic Cobalt, Ontario silver mining district. As part of that agreement, the Company will form a joint venture with Electra, through its wholly owned subsidiary Cobalt Industries of Canada Inc. ("CIC"), the company that holds the Remaining Assets (the "Option").

The entire 10,000-hectare land package will be referred to as the Silver Kings Project, consisting of the 100%-owned Kerr Assets (which going forward, will be referred to as the "Kerr Project") and the joint venture with Electra ("Silver Kings JV").

<u>Kerr Project</u>

On March 1, 2021, the Company paid CAD $1,000,000 ($789,827) and issued a total of 1,437,470 common shares, at a value of $2,668,079 or CAD $2.35 ($1.86) per share, for a total cost of $3,457,906 for 100% of the issued and outstanding common shares and preferred shares of CobalTech Mining Inc. ("CobalTech"), (a wholly owned subsidiary of Electra) that holds the Kerr Assets. As part of the purchase agreement, Electra agreed to provide CobalTech with CAD $500,000 at the time of closing, for CobalTech to utilize on flow-through eligible expenditures prior to December 31, 2021. In order to facilitate these flow-through expenditure arrangements, Electra subscribed for 1,000 Class A shares of CobalTech, which granted Electra the ability to appoint a majority of the directors of CobalTech, until such time as the Class A shares were redeemed. The Class A shares were redeemable at the option of CobalTech at a price of CAD $0.001 per Class A share and as a condition of the Purchase Agreement, the Class A shares could not be redeemed until CobalTech incurred the CAD $500,000 of flow through eligible expenditures. As at September 30, 2021, having incurred the CAD $500,000 of flow-through eligible expenditures, CobalTech renounced these flow-through eligible expenditures to Electra and redeemed the Class A shares. As a result, the Company obtained control of and consolidated CobalTech effective September 30, 2021.

<u>Silver Kings JV</u>

To fully exercise the Option, the Company must make payments totaling CAD $2,000,000 and complete work commitments of CAD $4,000,000, as per the table below. Following the initial earn-in payment (completed) the Company and Electra are to enter a Joint Venture Agreement ("JVA") for the joint exploration and development of the project, which is still in progress. For the initial earn-in, and each respective acquisition payment thereafter, the agreement provides that Kuya Silver may issue an equivalent value in common shares of the Company at the 20-day Volume Weighted Average Price immediately prior to the date the actual respective payment is made in lieu of making the cash payments. On September 1, 2021, the Company issued 671,141 common shares to Electra, for the initial earn-in payment.

(Expressed in US Dollars)

Kuya Silver is working with Electra to establish the terms of the JVA for the joint exploration and development of the Remaining Assets, including an amendment to the terms of the Silver Kings JV earn-in payment schedule, to allow Kuya Silver to defer the timing of the work commitments to anytime up to and including September 1, 2024. The terms of the current agreement are detailed in the table below.

Acquisition Costs and Work Commitments for Silver Kings JV

Silver Kings JV Earn-in Option Milestones	Acquisition in cash or share (CAD$)	Work Commitments (CAD$)	Due Date for Acquisition Costs
Initial earn in - completed	$ 1,000,000	$ -	September 1,2021
49% interest	300,000	2,000,000	September 1, 2022
Additional 11% interest	350,000	1,000,000	September 1, 2023
Additional 10% interest	350,000	1,000,000	September 1, 2024
Total	**$ 2,000,000**	**$ 4,000,000**	

CORPORATE UPDATE & OUTLOOK

Financing Update

The Company has obtained financing through various means in 2022, including a non-brokered private placement (the "June Private Placement") which closed on June 30, 2022, a term loan financing announced on July 22, 2022 as well as a brokered and non-brokered private placement (the "August Private Placement") which closed on August 9, 2022. Total gross proceeds from these three financings were CAD $4,191,001 (of which gross proceeds totaling CAD $723,901 were received prior to June 30, 2022) and are intended to be used for general working capital purposes.

June Private Placement

On April 21, 2022, we announced the private placement of up to 2,000,000 units at a price of CAD $1.00 per unit for aggregate gross proceeds of up to CAD $2,000,000. On May 12, 2022, we announced amended terms of this private placement to be 2,222,222 units at a price of CAD $0.90 per unit. Each unit consisted of one common share in the capital of the Company and one-half of one transferrable common share purchase warrant with each warrant entitling the holder the right to purchase one common share in the capital of the Company at a price of CAD $1.20 (previously CAD $1.40) until the date which is two years from the date of issuance.

This first tranche closed on May 12, 2022 with gross proceeds of CAD $588,001, while the second tranche closed on June 30, 2022 with the same price and terms as the first tranche with gross proceeds of CAD $135,900. Together with the first tranche, the Company issued 804,334 units and raised CAD $723,901 ($545,795 net proceeds) from the June Private Placement.

Term Loan

On July 22, 2022, the Company announced that it had agreed to an unsecured term loan financing with two non-arm's length parties of the Company for aggregate proceeds of CAD $300,000 with a 12-month term and an interest rate of 4%, accrued monthly, with interest becoming due and payable on repayment of the principal or at the end of the term. Additionally, the Company agreed to issue these lenders 450,000 common share purchase warrants, with the number of warrants granted to each lender proportional to the amount provided by such lender. Each warrant entitles the holder to purchase one common share of the Company at a price of CAD $0.47 until the date that is 12 months from the date of issuance. These warrants are subject to a hold period expiring four months and one day from the date of issuance.

August Private Placement

On July 26, 2022, the Company announced that it had entered into an agreement with Canaccord Genuity Corp. and Research Capital Corporation on behalf of a syndicate of agents (collectively, the "Agents"), in connection with a private placement of up to 4,500,000 units at a price CAD $0.45 per unit for total proceeds of up to approximately CAD $2,025,000. Each unit consisted of one common share in the capital of the Company and one transferrable common share purchase warrant which entitled the holder to purchase one common share of the Company at a price of CAD $0.70 until the date that is five years from the date of issuance. Subsequently, on July 28, 2022, the Company announced that it had increased the size of the August Private Placement to consist of up to 6,120,000 units, for gross proceeds of up to CAD $2,754,000, with an option to increase the size by up to 15% for a total of 7,038,000 units and proceeds of up to CAD $3,167,100 (all other terms remained the same).

On August 9, 2022, the Company announced that it had completed the August Private Placement with the sale of an aggregate of 7,038,000 units for total gross proceeds of CAD $3,167,100. There were two parts to this private placement: the brokered portion and the non-brokered portion. For the brokered private placement, we sold an aggregate of 5,718,000 units at a price of CAD $0.45 per unit for total proceeds of CAD $2,573,100, which includes the full exercise of the Agents' option to purchase up to an additional 15%. We also sold 1,320,000 units in a non-brokered private placement at a price of CAD $0.45 per unit for total proceeds of CAD $594,000.

As consideration for the services provided by the Agents, the Company paid fees totaling CAD $190,026, being 6% of the gross proceeds from the sale of 7,038,000 aggregate units and issued to the Agents 422,280 non-transferrable broker warrants (6% of the number of units sold pursuant to the August Private Placement) which entitles the holder to purchase one Common Share at an exercise price of CAD $0.45 for a period of two years following the date of issuance.

Kuya Silver concurrently signed a services agreement, contingent on the closing of this private placement, in the amount of CAD $315,000 with Goldspot Discoveries Corp. ("GoldSpot") to provide exploration related services, which may include geological, geophysical and geochemical work as well as marketing and advertising related services with a wholly owned subsidiary of Goldspot, CEO.CA Technologies Ltd.

<u>Bethania Silver Project</u>

The Company's goal for the Bethania Silver Project remains to build a 350 tonne per day ("tpd") processing plant as contemplated in the recent Preliminary Economic Assessment (the "PEA Report") which was filed on SEDAR and posted on the Company's website on June 17, 2022. However, in the immediate future, the Company's management has decided to focus on reviewing options that will add further value to the

(Expressed in US Dollars)

Bethania Silver Project, until conditions are supportive for raising the required funds and making a construction decision. The Company is evaluating the opportunity to conduct toll-milling (i.e. processing ore at a third-party mill into saleable concentrate) prior to construction, which could generate near-term cash flow while de-risking the mining operation by providing valuable production experience, and advancing the underground development required for eventual full-scale production.

In addition to toll-milling, the Company's management believes there are opportunities to expand on the Company's exploration strategy throughout the Bethania district, where several high-priority targets are ready to be followed up with mapping and sampling programs to advance these targets to a drill-ready stage.

Silver Kings Project

The management team is committed to both the Kerr Project, in which we see the possibility of more advanced stage silver-cobalt targets, and the Silver Kings JV, in which we believe we have a large, geologically prospective, and historically underexplored land package with the potential for new discoveries. Having made the initial earn-in payment on September 1, 2021, we expect to negotiate the amended work commitment terms by September 1, 2022 (as described in the section "Overview of Exploration and Evaluation Assets" above) and will continue to negotiate the terms of the JVA. While the Company's current focus is on Bethania, the exploration team plans to carry out project planning, desktop studies and detailed field mapping in support of a diamond drill program that can be executed once the Company is able to allocate additional resources to the Silver Kings Project.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Selected Financial Information	**Three months ended June 30**		**Six months ended June 30**	
	2022	2021	**2022**	2021
Revenue	**$ -**	$ -	**$ -**	$ -
Exporation & evaluation expenditures	**566,085**	1,440,156	**1,210,952**	1,652,784
Administrative expenses[1]	**770,806**	649,662	**1,452,280**	1,160,957
Share-based compensation	**278,618**	281,422	**508,282**	339,907
Foreign exchange loss/(gain) & other	**37,975**	(110,790)	**61,656**	9,709
(Loss) for the period	**$ (1,653,484)**	$ (2,260,450)	**$ (3,233,170)**	$ (3,163,357)
(Loss) per share (Basic and diluted)[2]:	**$ (0.04)**	$ (0.06)	**$ (0.07)**	$ (0.08)

1. Administrative expense excludes share-based compensation
2. In periods when the Company has a loss, diluted loss per share is the same as basic loss per share.

During the second quarter of 2022, the Company had a loss of $1,653,484 as compared to a loss of $2,260,450 in the same quarter of 2021. The loss for the quarter was comprised of $566,085 (2021 - $1,440,156) in exploration and evaluation expenditures, $1,049,424 (2021 - $931,084) in administrative expenses, including share-based compensation of $278,618 (2021 - $281,422), and a foreign exchange and other expense of $37,975 (2021 - $110,790 gain), which includes accretion expense of $12,270 (2021 – nil). The loss for the six months ended June 30, 2022 of $3,233,170 (2021 - $3,163,357) was comprised of $1,210,952 (2021 – $1,652,784) in exploration and evaluation expenditures, $1,960,562 (2021- $1,500,864) in administrative expenses, including share-based compensation of $508,282 (2021- $339,907), and a $61,656 net loss from foreign exchange, interest income and other (2021 - $9,709).

Details of the significant expenditures for the three months and six months ended June 30, 2022, are described below.

<u>Exploration and Evaluation Expenditures</u>

Bethania Silver Project

In the second quarter of 2022, in addition to costs related to the finalization of the PEA, we incurred costs for general operating and maintenance costs at Bethania and for engineering and planning of the processing plant and related tailings management facility/infrastructure.

In the comparative period in 2021, exploration and evaluation expenses concentrated on costs for the Phase I drill program which commenced in the second quarter of 2021 as well as costs for the engineering design work for the Bethania expansion/studies for the development of the project.

Silver Kings Project

Included in exploration and evaluation expenditures in the second quarter are costs for Silver Kings JV ($38,578) and for the Kerr Project ($21,373). During the quarter, exploration and evaluation expenditures were made for compiling historic data, analyzing drilling geochemistry, preparing for field work, and bedrock mapping.

Exploration and evaluation expenditures incurred during the three and six months ended June 30, 2022 were:

(Expressed in US Dollars)

Exploration and evaluation expenditures	Three months ended June 30		Six Months ended June 30	
	2022	2021	**2022**	2021
Bethania Silver Project				
Civil works and engineering	$ **128,750**	348,317	$ **315,957**	$ 418,561
Geology and drilling	**41,511**	443,137	**146,982**	475,167
Operations and supplies	**99,589**	176,140	**195,141**	179,439
Property maintenance, licences and rights	**4,487**	124,241	**9,295**	134,857
Safety and environment	**41,774**	26,462	**83,375**	30,732
Value Added Tax ("VAT")	**80,874**	227,760	**146,523**	266,058
Wages and benefits	**109,149**	94,099	**203,615**	147,970
	506,134	1,440,156	**1,100,888**	1,652,784
Kerr				
Operations and supplies	**8,100**	-	**12,681**	-
Property maintenance, licenses and rights	**3,332**	-	**9,927**	-
Safety and environment	**-**	-	**1,841**	-
Wages and benefits	**9,941**	-	**24,228**	-
	21,373	-	**48,677**	-
Silver Kings JV				
Operations and supplies	**8,925**		**11,145**	-
Wages and benefits	**29,653**		**50,242**	-
	38,578	-	**61,387**	-
Total	**$ 566,085**	**$ 1,440,156**	$ **1,210,952**	$ 1,652,784

Administrative Expenses

Administrative expenses of $1,049,424 (including share-based compensation) were incurred in the three months ended June 30, 2022 as compared to $931,084 in the same period in 2021. For the six-month period, the costs were $1,960,562 in 2022 (2021 - $1,500,864). Kuya Silver became a publicly traded company in October of 2020 and started adding key management personnel in Toronto and Peru in mid-2021. Many of the administrative costs, including wages and benefits for employees and share based compensation were still ramping up in the first half of 2021, resulting in lower costs in the first two quarters of 2021 than in the comparable periods of 2022. The increased share-based compensation expense in the first half of 2022 as compared to the same period in 2021 is driven by two factors: (1) the vesting of previously granted stock options and the annual stock option grants taking place in the first half of 2022 (in 2021, there were no stock option grants in the same period, as stock option grants occurred at the time of closing of the reverse takeover transaction ("RTO") with Miramont Resources Corp. ("Miramont")); and (2) the vesting of 400,000 RSUs that were granted following shareholder approval of the amended equity incentive plan in June 2022.

(Expressed in US Dollars)

Administrative Expenses	**Three months ended June 30**		**Six months ended June 30**	
	2022	2021	**2022**	2021
Administrative costs	$ 10,573	$ 10,988	$ 21,235	$ 21,652
Consulting fees	6,211	20,992	6,211	90,400
Directors' fees	26,356	25,263	50,412	49,778
Filing fees	8,824	12,394	16,213	19,162
Management fees	16,447	105,135	33,032	205,177
Marketing and investor relations	94,719	78,114	151,980	134,925
Office and miscellaneous	108,116	74,198	214,615	156,333
Professional fees	118,402	105,938	196,496	161,920
Share-based compensation	278,618	281,422	508,282	339,907
Shareholder communication	7,083	9,248	10,005	10,038
Transfer agent	5,536	3,688	7,326	6,554
Travel	42,272	58,195	93,913	82,325
Wages and benefits	326,267	145,509	650,842	222,693
	$ 1,049,424	$ 931,084	$ 1,960,562	$ 1,500,864

Foreign exchange loss/(gain) and other

Included in foreign exchange loss/(gain) and other are the following: foreign exchange loss/(gain), equity loss in CobalTech (2021 only), accretion expense, interest income, and gain on accounts payable and accrued liabilities (2022 only). The foreign exchange loss of $30,502 (2021 - $220,458 gain) is due to fluctuations in the Peruvian Sol ("PEN") to the CAD. In the same period in 2021, we have higher monetary balances held in PEN (mostly liabilities), which resulted in a $220,458 gain when the PEN depreciated from 0.270 to 0.253 (PEN/USD).

There were no losses from our equity interest in CobalTech in 2022 (in 2021, we had losses of $110,845 for both the 3 months and six months period ending June 30th), as we began fully consolidating CobalTech on September 30, 2021.

Also included in the other expense for 2022 is $12,372 of accretion expense related to the reclamation provision (2021 - $nil), which was recorded as an increase to the reclamation provision on Kerr, with an offsetting amount to accretion expense.

(Expressed in US Dollars)

CUMULATIVE EXPLORATION AND EVALUATION COSTS

The following table presents the cumulative exploration and evaluation costs incurred by the Company on its properties to June 30, 2022:

Project	Bethania Silver Project	Kerr	Silver Kings JV	Total
Civil works and engineering	$ 1,779,079	$ -	$ -	$ 1,779,079
Geology and drilling	1,107,474	23,488	258,946	1,389,908
Operations and supplies	580,307	14,221	41,206	635,734
Property maintenance, licences and rights	62,962	15,751	-	78,713
Safety and environment	175,167	21,169	-	196,336
Value Added Tax ("VAT")	740,639	-	-	740,639
Wages and benefits	450,118	24,228	252,736	727,082
Expense recovery from Electra	-	-	(119,175)	(119,175)
Total	$ 4,895,746	$ 98,857	$ 433,713	$ 5,428,316

1) Cumulative costs are as follows: Bethania Silver Project, since acquisition of 100% on December 15, 2020; Kerr, since September 30, 2021 (consolidation date); Silver Kings JV, since September 1, 2021 (initial earn-in payment date).

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

		2022		2021				2020	
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Selected Financial Information									
Revenue	$	-	-	-	-	-	-	-	-
Exporation & evaluation expenditures	$	566,085	644,867	1,164,344	1,391,228	1,440,156	212,628	5,447	-
Administrative expenses[1]	$	770,806	681,474	801,446	733,687	649,662	511,295	293,056	363,422
Share-based compensation	$	278,618	229,664	67,082	116,681	281,422	58,485	300,858	8,645
Equity loss in CobalTech	$	-	-	-	97,327	110,845	-	-	-
(Gain) on write-off of liabilities	$	-	-	(382,406)	(132,196)	-	-	-	-
Foreign exchange (gain) loss and other [2,3]	$	37,975	23,681	25,340	(34,158)	(221,635)	120,499	2,615,471	(56)
Loss for the period	$	1,653,484	1,579,686	1,675,807	2,172,568	2,260,450	902,907	3,214,832	372,011
(Loss) per share - Basic and diluted [4]:	$/share	(0.04)	(0.04)	(0.04)	(0.05)	(0.06)	(0.02)	(0.11)	(0.02)

1. Administrative expense excludes share-based compensation
2. Other includes items such as interest income, listing fees (Q4 2020), accretion expense (Q1 2022) and other expenses
3. Listing fees associated with the Company's RTO in the fourth quarter of 2020 were $2,455,077
4. In periods when the Company has a loss, diluted loss per share is the same as basic loss per share.

The costs incurred by Kuya Silver in 2020 are not directly comparable to the costs in 2021 and 2022, as the Company was privately held until the fourth quarter of 2020 and had minimal administrative costs and share-based compensation expense until that time. In the third and fourth quarter of 2020, the expenses and fees incurred related primarily to the RTO as well as some costs associated with the acquisition of MTP and share-based compensation expense.

The first quarter of 2021 was when the Company started ramping up activities at the Bethania Silver Project, hiring management personnel in Toronto and Peru and incurring additional administrative costs associated with being a publicly traded company. As the Company continued to grow during 2021, costs generally trended upwards in line with hiring and growing the Company. Exploration and evaluation costs in 2021 include costs for our Bethania Silver Project, our Kerr Project and the Silver Kings JV. With the drill program at Bethania, and the advancement of the design of the mine and processing plant, exploration and evaluation expenses trended higher in the second and third quarter of 2021, ramping down in the fourth quarter. CobalTech was also acquired on March 1, 2021, and the Company started incurring exploration and evaluation expenditures in the second and third quarter of 2021 (included in equity losses until consolidation of CobalTech on September 30, 2021 and thereafter in evaluation and exploration expenses). Subsequent to the payment of the first earn-in payment for the Silver Kings JV, the Company also started incurring exploration and evaluation expenditures on that project.

The first quarter of 2022 included costs for completing the mineral resource estimate and advancing the PEA and engineering work related to the Bethania Silver Project. Exploration costs were also incurred for the continued surface sampling and trenching program at Bethania which commenced on November 15, 2021. While administrative costs remained consistent from Q1, due to financing constraints, no new exploration projects were undertaken and expenditures focused on completing the PEA study, keeping the Bethania property in good standing and engineering work and mine plans at Bethania. Also included in 2022 were some exploration and evaluation expenditures for the production of government assessment reports, for compilation of historical drill results and the maintenance of property licenses and rights.

(Expressed in US Dollars)

LIQUIDITY AND CAPITAL RESOURCES

	6 months ended 30-Jun-22	6 months ended 30-Jun-21
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the period	$ (3,233,170)	$ (3,163,357)
Items not involving cash	599,979	487,100
Change in non-cash working capital	205,666	(635,891)
Net cash used in operating activities	(2,427,525)	(3,312,148)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Investment in and advances to CobalTech	-	(821,904)
Advances to suppliers for capital expenditures	-	(325,897)
Additions to facilities and equipment	-	(281,985)
Additions to exploration and evaluation assets	-	(293,500)
Net cash used in investing activities	-	(1,723,286)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of share capital	556,829	7,577,450
Share issue costs	(11,034)	(509,082)
Repament of related party loans	-	(158,012)
Net cash provided by financing activities	545,795	6,910,356
Change in cash	(1,881,730)	1,874,922
Effect of foreign exchange on cash	1,414	(49,469)
Cash, beginning of period	2,152,611	4,904,562
Cash, end of period	$ 272,295	$ 6,730,015

The Company's cash position was $272,295 as at June 30, 2022. The decrease in cash for the six months ended June 30, 2022 was as a result of $2,427,525 of net cash used in operating activities. In the first half of 2022, cash was used primarily for general and administrative expenses and exploration and evaluation expenditures, while in the comparable period in 2021, we had a $635,891 decrease in cash due to a change from working capital as we paid down accounts payable primarily in MTP.

As detailed in the Corporate Update and Outlook section above, we obtained $545,795 in cash from financing activities in the second quarter of 2022, from the net proceeds of the June Private Placement.

There was no cash used in investing activities in the first half of 2022. In the same period in 2021, we invested $821,904 for the CobalTech acquisition, and made significant investments at Bethania, including $281,985 for exploration camp facilities, $325,897 for advances to suppliers for capital expenditures and also made an investment in Carmelita's.

Kuya Silver's continuation as a going concern is dependent upon its ability to complete financings sufficient to meet current and future obligations, the successful results from its business activities, and its ability to operate profitably and generate funds. Net working capital deficiency was $(1,260,639) as at June 30, 2022, compared to working capital of $792,136 as at December 31, 2021 as shown below. The

(Expressed in US Dollars)

Company did not have sufficient cash as at June 30, 2022 to settle its current liabilities as they come due, nor did it have sufficient cash to meet the Company's administrative costs over the next twelve months.

While we raised CAD $3,467,100 of gross proceeds since June 30, 2022 (term loan of CAD $300,000 and CAD $3,167,100 from the August Private Placement), additional funding will be needed to continue to fund ongoing administrative costs, exploration and evaluation related expenditures and advancement of the Bethania Silver Project and the Silver Kings Project over the upcoming twelve months.

Working Capital		**June 30, 2022**		**December 31, 2021**
Current assets	$	502,117	$	2,436,765
Current liabilities		1,762,486		1,644,629
Net working capital (deficiency)	$	(1,260,369)	$	792,136

Kuya Silver is continuing to explore and pursue various potential sources of financing, but there is no certainty that any additional financings will be completed**.** These factors indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

TRANSACTIONS WITH RELATED PARTIES

We have identified the members of our Board of Directors ("Board") and certain senior officers as our key management personnel. The following summarizes the Company's related party transactions with those parties and their spouses during the three and six months ended June 30, 2022 and 2021:

Related Party Transactions		**Three months ended June 30**			**Six months ended June 30**	
		2022		**2021**	**2022**	**2021**
Compensation, Management	$	139,048		65,612	281,723	122,993
Compensation, Directors		25,259		24,288	48,265	48,115
Share-based compensation, Management[1,2]		223,827		59,074	358,680	71,496
Share-based compensation, Directors[1]		49,653		100,736	86,880	127,308
Consulting fees		5,957		-	5,957	-
	$	**443,744**	**$**	**249,711**	**781,505**	**369,913**

1. Share-based compensation for management and directors represent the fair value using the Black-Scholes option pricing model of options
2. Share-based compensation for management includes the fair value of RSUs vested in the period. RSUs are recorded at fair value based on the market value on the grant date and charged to profit or loss over the vesting period of the RSUs.

As at June 30, 2022, included in accounts payable and accrued liabilities was $80,389 (December 31, 2021 - $19,643) owing to officers and directors.

In addition to management personnel, we have also identified a company which provides engineering and subcontractor services to our operations in Peru as a related party. During the three months and six months ended June 30, 2022, administrative and exploration and evaluation expenditures of $88,489 and $180,177 (2021 - $nil) were paid or accrued to this related entity. As at June 30, 2022, included in accounts payable and accrued liabilities was $82,397 (December 31, 2021- $nil) owing to this entity. As the effective date of this entity becoming a related party was August 8, 2021, there were no costs disclosed for the comparative period.

(Expressed in US Dollars)

SHARE CAPITAL INFORMATION

The authorized capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at August 18, 2022, there were no preferred shares issued and outstanding. Changes in common shares, options and warrants outstanding from June 30, 2022 to the Report Date are summarized below.

Common shares	Number of common shares
Balance as at June 30, 2022	46,110,315
Issued [1]	7,438,000
Balance as at Report Date	**53,548,315**

(1) Issued 400,000 common shares for settlement of RSUs that vested on June 30, 2022 and issued 7,038,000 common shares for the August Private Placement.

Share purchase warrants	Number of warrants
Balance as at June 30, 2022	2,836,491
Issued	7,910,280
Balance as at Report Date	**10,746,771**

(1) Issued 450,000 warrants to the lenders of the CAD $300,000 term loan and a total of 7,460,280 warrants (including 422,280 non-transferrable broker warrants) issued in the August Private Placement.

Stock options	Number of options
Balance as at June 30,2022 and at Report Date	**2,120,000**

Restricted Share Units	Number of RSUs
Balance as at June 30, 2022	700,000
Settled	(400,000)
Balance as at Report Date	**300,000**

On July 22, 2022, the Company agreed to issue 450,000 common share purchase warrants in conjunction with the CAD $300,000 term loan (detail in Corporate Update and Outlook section above).

On August 9, 2022, we announced that we completed the sale of an aggregate of 7,038,000 units for total gross proceeds of CAD $3,167,100. A total of 7,038,000 common shares and 7,460,280 warrants were issued in the August Private Placement (see detail in Corporate Update and Outlook section above).

The Company's shareholders approved an amended equity incentive plan (the "Plan") on June 29, 2022, which provides for the grant of stock options and awards ("Awards") that enable the acquisition of common shares of the Company. Awards include restricted share units ("RSUs") and performance share units ("PSUs"). The purpose of the Plan is to attract, retain and motivate directors, officers, employees and external service providers by providing them with the opportunity to acquire a proprietary interest in the Company. The options are equity-settled awards, while the RSUs and PSUs can be cash-settled, or equity-settled awards as determined by the Board or a committee thereof. This Plan replaces the 2016 Stock Option Plan of the Company (the "Original Plan"). The maximum number of common shares that may be issued pursuant to options and awards under this Plan shall be determined from time to time but shall not together with any other share compensation arrangement adopted by the Company in the aggregate exceed 10% of the outstanding common shares of the Company. On June 29, 2022, following approval of the Plan by the shareholders, the Board approved the grant of 700,000 RSUs to certain officers and employees which are subject to vesting, and at each vesting date, convert into common shares for no additional consideration. On June 30, 2022, 400,000 of those RSUs vested and 400,000 common shares were issued for settlement of vested RSUs on August 10, 2022.

CAPITAL & FINANCIAL RISK MANAGEMENT

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.

Kuya Silver 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. 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 six months ended June 30, 2022.

Off-Balance Sheet Arrangements

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

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 June 30, 2022 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, minimizing the risk to the Company. Receivables are primarily due from a government agency.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become 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 does not have sufficient cash as at June 30, 2022 to settle its current liabilities as they come due and additional funds are required to continue current operations for the upcoming twelve months.

Market risk

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

Foreign currency exchange risk – This risk relates to any changes in foreign currencies in which the Company transacts. The Company incurs costs for goods and services denominated in currencies other than the presentation currency and is subject to foreign currency risk on assets and liabilities denominated in currencies other than the United States dollar. The effect of a 10% change in the foreign exchange rate on monetary balances held in United States dollar and Peruvian soles accounts would be approximately $103,000 recorded in profit or loss for the six months ended June 30, 2022. The effect of a 10% change in the foreign exchange rate on monetary balances held in Canadian dollar and Peruvian soles accounts would be approximately $79,000 recorded in other comprehensive income or loss for the six months ended June 30, 2022.

Interest rate risk – This risk relates to the change in the borrowing rates affecting the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% increase or decrease in the interest rates would have a nominal impact in interest income for the six months ended June 30, 2022.

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

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

Fair value hierarchy

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

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

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

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and obligation to issue shares. The fair value of these financial instruments approximates their carrying values. Obligation to issue shares is measured at fair value using level 1 inputs.

RISK FACTORS

Kuya Silver is subject to the usual risks associated with a junior mineral exploration company conducting business internationally and competes for access to financing, specialized third party service providers and human capital against other exploration companies, some of whom may be better capitalized. While Kuya Silver has been successful in raising financing in the past, commencement of underground mining, toll-milling (i.e., processing ore at a third-party mill into saleable concentrate) prior to construction and/or construction and commissioning of a processing plant, tailings storage facility and related infrastructure, if considered appropriate moving forward, will require substantial additional financing that is not guaranteed.

The Company's operating costs, and capital costs are affected by the cost of commodities and goods such as fuel and supplies, which have been assumed to be available for purchase. It has also been assumed that the Company will have access to the required amount of sufficiently skilled labour as required for operations. Certain factors are outside the Company's control and an increase in the costs of (due to inflation, impacts of the Russia and Ukraine conflict, or otherwise), or a lack of availability of, commodities, goods and labour may have an adverse impact on the Company's financial condition and results of operations.

In addition to the foregoing, Kuya Silver is subject to a number of other risks and uncertainties which are disclosed in full detail under the heading "Risk Factors" in our AIF for the year ended December 31, 2021. This list is not exhaustive and additional risks and uncertainties not currently known to the Company, or those that it currently deems to be immaterial, may become material and adversely affect the Company's business. The realization of any of these risks may materially and adversely affect the Company's business, financial condition, results of operations and/or the market price of the Company's securities.

ACCOUNTING DISCLOSURES

New Accounting Policies Adopted

Share-based compensation

The Company's shareholders approved the Plan on June 29, 2022, which provides for the grant of options and Awards (RSUs and PSUs) that enable the acquisition of common shares of the Company. The options are equity-settled awards, while the RSUs and PSUs can be cash-settled or equity-settled awards as determined by the Company's Board or a committee thereof, at the time of grant.

The Company determines the fair value of the Awards on the date of grant. This fair value is charged to profit or loss over the vesting period of the awards, with a corresponding credit to reserves if equity-settled. If the Award is cash-settled and recorded as an obligation, the obligation is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in administrative expense in profit or loss.

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, 2023. These have not been applied in preparing the 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:

<u>IAS 12, Income Taxes</u>

On May 7, 2021, the IASB issued amendments to IAS 12, Income Taxes that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

The main change is such that the initial recognition exemption provided in IAS 12 would no longer apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. While management does not currently anticipate these amendments having a material effect on the Company's consolidated financial statements for 2023, they may have an effect in periods beyond 2023.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A, including but not limited to any information as to the future financial or operating performance of the Company, constitute "forward-looking information" or "forward-looking statements" within the meaning of certain securities laws, and are based on expectations, estimates and projections as of the date of this MD&A. Forward-looking statements contained in this MD&A include, but are not limited to, those under the headings "Company Overview," "Corporate Update & Outlook" and "Liquidity and Capital Resources," and include, without limitation, statements with respect to: capital requirements and capital expenditures; the Company's working capital needs for the next twelve months, and the availability of financing to meet those needs; the schedules and budgets for the Company's development projects; success of exploration and development activities; project studies; and permitting matters. The words "may," "can," "could," will," "expect," "believe," "plan," "intend," "explore," "estimate," "future," "target," "goal,", "objective," "possibility," "anticipate," "potential," "ongoing," "next," "pursue," "towards," and "continue," and similar words and phrases, and variations of these words and phrases, and statements that certain actions, events or results may, could, should or will be taken, will occur or will be achieved, identify forward-looking statements. Forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business and economic uncertainties and contingencies. The estimates and assumptions of the Company referenced, contained or incorporated by reference in this MD&A, which may prove to be incorrect, include but are not limited to the various assumptions set forth herein, as well as: (1) there being no significant disruptions affecting the operations of the Company, whether due to extreme weather events or other natural disasters, labour disruptions (including but not limited to strikes or workforce reductions), supply disruptions, power disruptions or damage to equipment; (2) permitting for the Company's development projects being consistent with the Company's current expectations; (3) advancement of exploration consistent with the Company's expectations at the Company's projects; (4) political and legal developments in any jurisdiction in which the Company operates being consistent with its current expectations including, without limitation, the impact of any political tensions and uncertainty in the Republic of Peru or any restrictions or penalties imposed, or actions taken, by any government, including but not limited to potential amendments to customs, tax and mining laws; (5) the completion of studies on the timelines currently expected and the results of those studies being consistent with the Company's current expectations; (6) certain price assumptions for silver; (7) access to capital markets consistent with the Company's expectations, and sufficient to fund the activities of the Company for the next twelve months; (8) potential direct or indirect operational impacts resulting from infectious diseases or pandemics such as the ongoing COVID-19 pandemic; (9) the effectiveness of preventative actions and contingency plans put in place by the Company to respond to the COVID-19 pandemic, including, but not limited to, social distancing and travel restrictions; and (10) changes in national and local government legislation or other government actions, particularly in response to the COVID-19 pandemic. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: the inaccuracy of any of the foregoing assumptions; fluctuations in the currency markets; fluctuations in the spot and forward price of silver or certain other commodities (such as fuel and electricity); changes in national and local government legislation, taxation, controls, policies and regulations; the security of personnel and assets; political or economic developments in Canada, Peru or other countries in which the Company does business or may carry on business; business opportunities that may be presented to, or pursued by, the Company; operating or technical difficulties in connection with mining or development activities; employee relations; litigation or other claims against, or regulatory investigations and/or any enforcement actions, administrative orders or sanctions in respect of the Company (and/or its directors, officers, or employees) including, but not limited to, securities class action litigation in Canada, environmental litigation or regulatory proceedings or any investigations, enforcement actions and/or sanctions under any applicable anti-corruption, international sanctions and/or anti-money laundering laws and regulations in Canada, Peru or any other applicable jurisdiction; the speculative nature of silver exploration and development including, but not limited to, the risks of obtaining necessary licenses and permits; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of silver exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can directly or indirectly affect, and could cause, the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by this cautionary note and those made in our other filings with securities regulators. These factors are not intended to represent a complete list of the factors that could affect the Company. The Company disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.