KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Expressed in US Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

		March 31, 2021		**December 31, 2020**
ASSETS				
Current				
Cash	$	2,652,027	$	4,904,562
Receivables		80,403		69,997
Prepaids and advances		136,407		39,178
		2,868,837		5,013,737
Investment In CobalTech (Note 6)		3,477,130		-
Buildings and equipment (Note 7)		305,522		11,426
Exploration and evaluation assets (Note 8)		16,925,413		16,726,267
	$	23,576,902	$	21,751,430
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Notes 9 and 11)	$	1,779,931	$	2,055,290
Related party loans (Note 11)		158,012		156,990
		1,937,943		2,212,280
Reclamation provision (Note 8)		49,673		51,630
		1,987,616		2,263,910
SHAREHOLDERS' EQUITY				
Share capital (Note 10)		25,654,079		22,837,377
Reserves (Note 10)		1,197,859		1,009,988
Deficit		(5,262,652)		(4,359,845)
		21,589,286		19,487,520
	$	23,576,902	$	21,751,430

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 16)
Subsequent events (Note 17)

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 condensed interim consolidated financial statements.

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in US Dollars)
(Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Property expenses		
Exploration and evaluation expenditures (Note 8)	$ 212,628	$ 3,561
	212,628	3,561
Administrative expenses		
Administrative costs	10,664	-
Consulting fees	69,408	-
Directors fees (Note 11)	24,515	-
Filing fees	6,768	-
Management fees (Note 11)	100,042	-
Marketing and investor relations	56,811	-
Office and miscellaneous	82,135	26,556
Professional fees (Note 11)	55,982	-
Share-based payments (Notes 10 and 11)	58,485	8,645
Shareholder communication	790	-
Transfer agent	2,866	-
Travel	24,130	-
Wages and benefits	77,184	-
	(569,780)	(35,201)
Operating loss	(782,408)	(38,762)
Foreign exchange loss	(125,765)	-
Interest income	5,266	310
	(120,499)	310
Loss for the period	(902,907)	(38,452)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit and loss		
Foreign currency translation adjustment	242,794	-
Comprehensive loss for the period	$ (660,113)	$ (38,452)
Loss per common share – basic and diluted	$ (0.02)	$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	38,660,612	12,927,539

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

KUYA SILVER CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US Dollars)

(Unaudited)

	Share Capital					
	Number of shares	Amount	Share-based reserves	Foreign currency translation reserves	Deficit	Total
December 31, 2019	6,642,766	$ 3,348,913	$ 559,722	$ -	$ (682,518)	$ 3,226,117
Issuance of common shares for cash (Note 10)	464,583	557,500	-	-	-	557,500
Share-based payments (Note 10)	-	-	8,645	-	-	8,645
Loss for the period	-	-	-	-	(38,452)	(38,452)
March 31, 2020	7,107,349	$ 3,906,413	$ 568,367	$ -	$ (720,970)	$ 3,753,810
Issuance of common shares for cash (Note 10)	7,477,620	9,249,853	-	-	-	9,249,853
Share issue costs	-	(678,044)	-	-	-	(678,044)
	14,584,969	12,478,222				
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 performance warrants (Note 10)	1,632,076	501,594	(500,778)	-	-	816
Share-based payments (Note 10)	-	-	318,147	-	-	318,147
Foreign currency translation	-	-	-	537,855	-	537,855
Loss for the period	-	-	-	-	(3,638,875)	(3,638,875)
December 31, 2020	37,902,096	$ 22,837,377	$ 472,133	$ 537,855	$ (4,359,845)	$ 19,487,520
Issuance of common shares on acquisition of CobalTech (Note 6)	1,437,470	2,668,079	-	-	-	2,668,079
Issuance of common shares on exercise of options (Note 10)	50,000	63,607	(28,430)	-	-	35,177
Issuance of common shares on exercise of performance warrants (Note 10)	276,624	85,016	(84,878)	-	-	138
Warrants expired (Note 10)	-	-	(100)	-	100	-
Share-based payments (Note 10)	-	-	58,485	-	-	58,485
Foreign currency translation	-	-	-	242,794	-	242,794
Loss for the period	-	-	-	-	(902,907)	(902,907)
March 31, 2021	39,666,190	$ 25,654,079	$ 417,210	$ 780,649	$ (5,262,652)	$ 21,589,286

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

KUYA SILVER CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)
(Unaudited)

		Three months ended March 31, 2021		Three months ended March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$	(902,907)	$	(38,452)
Adjust for items not involving cash:				
Depreciation		366		-
Share-based payments		58,485		8,645
Unrealized foreign exchange loss		(84,411)		-
Change in non-cash working capital items:				
Receivables		(9,522)		-
Prepaids and advances		(96,234)		-
Accounts payable and accrued liabilities		(298,194)		4,588
Net cash used in operating activities		(1,332,417)		(25,219)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in CobalTech (Note 6)		(789,827)		-
Acquisition of buildings and equipment		(294,837)		-
Deferred acquisition costs		-		(278,676)
Net cash used in investing activities		(1,084,664)		(278,676)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital		35,315		557,500
Proceeds from related party loans		-		85,000
Repayment of related party loans		-		(85,000)
Net cash provided by financing activities		35,315		557,500
Change in cash		(2,381,766)		253,605
Effect of foreign exchange on cash		129,231		-
Cash, beginning of period		4,904,562		80,078
Cash, end of period	$	2,652,027	$	333,683

Supplemental cash flow information (Note 12)

The accompanying notes are an integral part of these condensed interim 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 February 2021, the Company entered into an agreement 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 6).

These condensed interim 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 condensed interim 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 exercise of stock options and warrants 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. Subsequent to March 31, 2021, the Company entered into an agreement for a "bought deal" private placement for aggregate gross proceeds of approximately CAD $8,000,000 (Note 17).

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 condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020, prepared in accordance with IFRS as issued by the IASB.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on May 31, 2021.

Basis of presentation

These condensed interim 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.

Functional and presentation currency

The condensed interim 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. 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 condensed interim 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	Peru	100%	Exploration in Peru
Kuya Silver S.A.C.	Peru	100%	Holding company
Kuya Servicios Mineros S.A.C.	Peru	100%	Service company
Minera Puno Gold S.A.C.	Peru	100%	Holding company (inactive)

The Company holds an interest in CobalTech Mining Inc. ("CobalTech") which is accounted for as an equity investment (Note 6).

Significant estimates

The preparation of these condensed interim 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 condensed interim 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.

Classification of investments as subsidiaries, joint ventures, associated companies or portfolio investments

Classification of investments requires judgement as to whether the Company controls, has joint control of, or has significant influence over the strategic financial and operating decisions relating to the activities of the investee. In assessing the level of control or influence that the Company has over an investee, management considers ownership percentages of the securities of the investee, board representation of the investee as well as other relevant provisions in shareholder or other agreements. If an investor holds or has the ability to hold 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended December 31, 2020, except as noted below.

Construction in progress

Expenditures for construction of buildings for an exploration camp are capitalized and classified as construction in progress. Once completed, the costs associated with all applicable assets related to the development and construction are reclassified to the appropriate category within buildings and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2022. These have not been applied in preparing these condensed interim 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 on the date the Transaction was completed. As Miramont does not qualify as a business according to the definition in IFRS 3 and the Transaction has been accounted for as an RTO, the sum of the fair value of the consideration paid by Kuya under RTO accounting, less Miramont's net assets acquired, has been recognized as a listing expense. All of Miramont's share capital, reserves and deficit balances immediately prior to closing of the Transaction were eliminated on closing of the Transaction. Pursuant to the RTO, the annual consolidated financial statements are for the year ended December 31, being the year-end of Kuya. The consolidated assets, liabilities and results of operations of Miramont and Kuya are included subsequent to the RTO. The consolidated financial statements are issued under the legal parent (Kuya Silver Corporation) but are deemed to be a continuation of the legal subsidiary (Kuya).

(Expressed in US Dollars)

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
	$	**3,859,461**
Fair value of Miramont's net assets:		
Cash	$	1,102,761
Receivables		8,572
Prepaids and advances		17,369
Equipment		12,013
Loan receivable from Kuya[(3)]		376,175
Accounts payable and accrued liabilities		(112,506)
	$	**1,404,384**
Excess recorded as a listing expense	**$**	**2,455,077**

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

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

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

(Expressed in US Dollars)

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**

6. INVESTMENT IN COBALTECH

On February 26, 2021, the Company entered into a share purchase and option agreement (the "Purchase Agreement") with FCC, a Canadian public company that owns certain silver mineral exploration assets (the "Kerr Assets"), located in north-eastern Ontario, Canada. Under the terms of the Purchase Agreement, the Company may acquire 100% of the shares of CobalTech, a wholly owned subsidiary of FCC, which holds the Kerr Assets. The Purchase Agreement also provides the Company with an option ("the Option") to acquire up to a 70% interest in FCC's remaining silver mineral assets (the "Remaining Assets") in the Cobalt, Ontario area and to form a joint venture with Cobalt Industries of Canada Inc. ("CIC"), a wholly owned subsidiary of FCC that owns the Remaining Assets.

To acquire CobalTech, the Company must pay CAD $1,000,000 and issue CAD $3,000,000 in common shares, based on the 20-day volume weighted average share price ("VWAP") at the time of entering into the Letter of Intent with FCC in December 2020. Upon making the cash payment and issuing the shares, FFC will transfer ownership of 100% of the issued and outstanding common shares and preferred shares of CobalTech to the Company. FCC will maintain ownership of the 1,000 class "A" voting redeemable preferred shares (the "Class A shares") of CobalTech until certain conditions are met, as described below.

(Expressed in US Dollars)

6. INVESTMENT IN COBALTECH (cont'd…)

To fully exercise the Option, the Company must make cash payments totaling CAD $2,000,000 and complete work commitments of CAD $4,000,000, as follows:

	Acquisition in cash (in CAD)	Work commitments (in CAD)
Requirements on or before:		
September 1, 2021 ("Initial Earn-In")	$ 1,000,000	$ -
September 1, 2022 (49% interest)	300,000	2,000,000
September 1, 2023 (additional 11% interest)	350,000	1,000,000
September 1, 2024 (additional 10% interest)	350,000	1,000,000
	$ 2,000,000	$ 4,000,000

The Purchase Agreement provides that the Company may issue an equivalent value in common shares of the Company at the 20-day VWAP in lieu of making the cash payments. Following the payment of the Initial Earn-In, the Company and CIC will enter into a joint venture agreement on terms to be negotiated for the joint exploration and development of the Remaining Assets.

On March 1, 2021, the Company paid CAD $1,000,000 ($789,827) and issued a total of 1,437,470 common shares, at a value of $2,668,079 or CAD $2.35 ($1.86) per share, for a total cost of $3,457,906 for 100% of the common shares and preferred shares of CobalTech. As part of the Purchase Agreement, FCC agreed to provide CobalTech with CAD $500,000 at the time of closing, which the Company agreed to utilize on flow-through eligible expenditures prior to December 31, 2021. In order to facilitate these flow-through expenditure arrangements, FCC subscribed for 1,000 Class A shares of CobalTech. On closing, FCC maintained ownership of the Class A shares, which grant FCC the ability to appoint a majority of the directors of CobalTech, until such time as the Class A shares are redeemed, as described below. Accordingly, the Company is not considered to have control over CobalTech. However, the Company is considered to have significant influence over the financial and operating decisions of CobalTech and, as a result, has initially recorded its interest in CobalTech as an equity investment.

The Class A shares are redeemable at the option of CobalTech at a price of CAD $0.001 per Class A share. As a condition of the Purchase Agreement, the Class A shares cannot be redeemed until the Company incurs the CAD $500,000 of flow through eligible expenditures on the mineral properties comprising the Kerr Assets described above. Once the CAD $500,000 of flow-through eligible expenditures have been incurred, the Company intends to renounce the CAD $500,000 of flow-through eligible expenditures to FCC and will then redeem the Class A shares.

(Expressed in US Dollars)

6. INVESTMENT IN COBALTECH (cont'd…)

As at March 31, 2021, the Company's investment in CobalTech was $3,477,130 (2020 - $nil). As CobalTech had been inactive and did not commence any significant administrative or exploration and evaluation activities until after March 31, 2021, the Company's share of the loss of CobalTech since acquisition on March 1, 2021 was $nil. A reconciliation of the equity investment is as follows:

		CobalTech
December 31, 2020	$	-
Additions		3,457,906
Loss for the period from acquisition on March 1 to March 31, 2021		-
Adjustment on currency translation		19,224
March 31, 2021	$	3,477,130

As at March 31, 2021, CobalTech's aggregate assets, aggregate liabilities and loss for the period from acquisition on March 1 to March 31, 2021 are as follows:

		CobalTech
Current assets	$	397,109
Non-current assets		4,649,831
Total assets	$	5,046,940
Liabilities	$	397,109
Non-current liabilities		1,172,701
Total liabilities	$	1,569,810
Loss for the period from acquisition on March 1 to March 31, 2021	$	nil
The Company's common share ownership percentage		100%
The Company's share of the loss for the period	$	nil

(Expressed in US Dollars)

7. EQUIPMENT

	Construction in progress	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
Additions	294,837	-	294,837
Adjustment on currency translation	(510)	141	(369)
March 31, 2021	$ 294,327	$ 11,930	$ 306,257
Accumulated depreciation			
December 31, 2019	$ -	$ -	$ -
Depreciation	-	345	345
Adjustment on currency translation	-	18	18
December 31, 2020	-	363	363
Depreciation	-	366	366
Adjustment on currency translation	-	6	6
March 31, 2021	$ -	$ 735	$ 735
Net Book Value			
December 31, 2020	$ -	$ 11,426	$ 11,426
March 31, 2021	$ 294,327	$ 11,195	$ 305,522

At March 31, 2021, construction in progress relates to capital costs incurred in connection with constructing buildings at an exploration camp at Bethania. No depreciation is recorded on assets under construction.

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

(Expressed in US Dollars)

8. 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
Adjustment on currency translation	199,146	199,146
March 31, 2021	$ 16,925,413	$ 16,925,413

Bethania, Peru

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).

As at March 31, 2021, the Company had recorded a reclamation provision in the amount of $49,673 (December 31, 2020 - $51,630) 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.

(Expressed in US Dollars)

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

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the three months ended March 31, 2021 are as follows:

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

Exploration and evaluation expenditures for the three months ended March 31, 2020 are as follows:

Project	Bethania	Tres Banderas	Total
Care and maintenance	$ -	$ 3,561	$ 3,561
Total	$ -	$ 3,561	$ 3,561

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Accounts payable	$ 1,647,871	$ 1,948,198
Accrued liabilities	132,060	107,092
	$ 1,779,931	$ 2,055,290

(Expressed in US Dollars)

10. 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 March 31, 2021, 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

	Shares outstanding		Share capital
Kuya			
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

(Expressed in US Dollars)

10. 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
Balance as at December 31, 2020	37,902,096		22,837,377
Issuance of common shares on acquisition of CobalTech	1,437,470		2,668,079
Issuance of common shares on exercise of options	50,000		63,607
Issuance of common shares on exercise of performance warrants	276,624		85,016
Balance as at March 31, 2021	39,666,190	$	25,654,079

During the three months ended March 31, 2021, the Company issued:

a) 1,437,470 common shares of the Company, valued at $2,668,079, pursuant to the acquisition of CobalTech (Note 6);

b) 50,000 common shares of the Company, for proceeds of $35,177, on the exercise of options; and

c) 276,624 common shares of the Company, for proceeds of $138, on the exercise of performance warrants.

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;

10. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

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 performance warrants.

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 March 31, 2021, there are 7,982,249 (December 31, 2020 - 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.

During the three months ended March 30, 2021 and 2020, the Company granted no stock options.

During the three months ended March 30, 2021, the Company expensed $58,485 (2020 - $nil) for previously granted options, which was recorded in share-based payments.

(Expressed in US Dollars)

10. 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
Exercised	(50,000)		0.90
Balance as at March 31, 2021	1,172,500	$	1.66

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

As at March 31, 2021, 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	$	3.75	0.50	October 1, 2022
12,500	12,500	$	4.15	0.50	October 1, 2022
30,000	30,000	$	3.70	1.93	March 6, 2023
155,000	155,000	$	3.75	2.13	May 17, 2023
75,000	50,000	$	4.15	2.90	February 21, 2024
870,000	376,667	$	0.90	4.51	October 1, 2025
1,172,500	654,167				

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

(Expressed in US Dollars)

10. 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
Expired	(479,665)		5.00
Balance as at March 31, 2021	-	$	-

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 were exercisable on completion of the Company's 80% acquisition of S&L Andes, effective December 15, 2020 (Note 5).

During the three months ended March 31, 2021, 276,624 (2020 - nil) performance warrants were exercised; accordingly, the $84,878 (2020 - $nil) issue-date fair value associated with the warrants was reclassified from reserves to share capital.

During the three months ended March 31, 2021, the Company expensed $nil (2020 - $8,645), related to performance warrants, which was recorded in share-based payments.

(Expressed in US Dollars)

10. SHARE CAPITAL (cont'd…)

Performance warrants (cont'd…)

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
Exercised	(276,624)	0.0005
Balance as at March 31, 2021	-	$ -

(Expressed in US Dollars)

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:

		Three months ended March 31, 2021		Three months ended March 31, 2020
Directors fees	$	23,827	$	37,500
Management fees		46,660		-
Professional fees		10,722		-
Share-based payments		38,994		-
	$	120,203	$	37,500

As at March 31, 2021, included in accounts payable and accrued liabilities was $171,816 (December 31, 2020 - $170,878) owing to officers and directors.

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

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

		Three months ended March 31, 2021		Three months ended March 31, 2020
Reclassification of reserves to share capital on exercise of options	$	28,430	$	-
Reclassification of reserves to share capital on exercise of warrants		84,878		-
Reclassification of reserves to deficit on expiry of warrants		100		-
Shares issued on acquisition of CobalTech (Note 6)		2,668,079		-

(Expressed in US Dollars)

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 March 31, 2021			
Exploration and evaluation assets	$ -	$ 16,925,413	$ 16,925,413
Other assets	6,106,583	544,906	6,651,489
Total assets	$ 6,106,583	$ 17,470,319	$ 23,576,902
For the three months ended March 31, 2021			
Loss	$ (338,777)	$ (564,130)	$ (902,907)

	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 three months ended March 31, 2020			
Loss	$ (34,891)	$ (3,561)	$ (38,452)

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 March 31, 2021, the Company’s risk exposure and the impact on the Company’s financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets, being cash and receivables. The Company’s primary bank accounts are held with major Canadian banks and funds are transferred to the subsidiary’s foreign bank accounts as required to cover current expenditures; this minimizes the risk to the Company. Receivables are primarily due from a government agency.

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 March 31, 2021 to settle its current liabilities as they come due and management estimates funds are sufficient to further operations for the upcoming twelve months (Note 1).

Market risk

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

<u>Foreign currency exchange risk</u>

This risk relates to any changes in foreign currencies in which the Company transacts. The Company incurs costs for goods and services denominated in currencies other than the presentation currency and is subject to foreign currency risk on assets and liabilities denominated in currencies other than the United States dollar. The effect of a 10% change in the foreign exchange rate on monetary balances held in USD dollar and soles accounts would be approximately $132,000 recorded in profit or loss for the three months ended March 31, 2021. The effect of a 10% change in the foreign exchange rate on monetary balances held in CAD dollar and soles accounts would be approximately $65,000 recorded in other comprehensive income or loss for the three months ended March 31, 2021.

<u>Interest rate risk</u>

This risk relates to the change in the borrowing rates of the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% increase or decrease in the interest rates would be approximately $5,000 in interest income for the three months ended March 31, 2021.

<u>Price risk</u>

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 three months ended March 31, 2021.

16. COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2021, 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 March 31, 2021, 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 Valentin") 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, which is included in accounts payable and accrued liabilities as at March 31, 2021, due to San Valentin; 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 March 31, 2021.

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2021, the Company:

a) entered into agreements to acquire the Carmelita concessions, located near the Bethania Project. To acquire the concessions, the Company must pay a total of $492,500 within twelve months of signing the agreements, and issue $400,000 in common shares on the eighteen-month anniversary of signing the agreements. The number of common shares to be issued will be based on the 10-day average closing price on the CSE, ending on the day prior to issuance. These agreements are subject to CSE approval; and

b) entered into an agreement with a syndicate of underwriters led by Cormark Securities Inc. (collectively, the "Underwriters") pursuant to which the Underwriters shall purchase 4,211,000 units of the Company at a price of CAD $1.90 per unit, on a "bought deal" private placement basis, for aggregate gross proceeds to the Company of approximately CAD $8,000,000 (the "Offering"). Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at a price of CAD $2.60 per common share for a period of 24 months from the date of issue. The Company has also granted to the Underwriters an option to purchase up to an additional 15% of the units of the Offering on the same terms, exercisable at any time up to the closing. Closing of the Offering is subject to certain conditions and regulatory approvals, including CSE approval.