



**KUYA SILVER CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2023**

**(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

|   | <b>March</b>    | <b>December</b> |
|---|-----------------|-----------------|
|   | <b>31, 2023</b> | <b>31, 2022</b> |
| <b>ASSETS</b>   |                 |                 |
| <b>Current</b>  |                 |                 |
| Cash  | \$ 477,254      | \$ 1,196,879    |
| Receivables   | 133,636         | 106,899         |
| Prepays and advances                                      | 119,694         | 259,128         |
|   | 730,584         | 1,562,906       |
| <b>Facilities and equipment</b> (Note 4)                  | 66,553          | 110,070         |
| <b>Exploration and evaluation assets</b> (Note 5)         | 23,901,289      | 22,825,721      |
|   | \$ 24,698,426   | \$ 24,498,697   |
| <b>LIABILITIES</b>  |                 |                 |
| <b>Current</b>  |                 |                 |
| Accounts payable and accrued liabilities (Notes 6 and 10) | \$ 1,379,629    | \$ 1,103,378    |
| Flow-through share premium (Note 8)                       | 30,474          | 118,269         |
|   | 1,410,103       | 1,221,647       |
| <b>Reclamation provision</b> (Note 5)                     | 1,869,214       | 1,852,489       |
|   | 3,279,317       | 3,074,136       |
| <b>SHAREHOLDERS' EQUITY</b>                               |                 |                 |
| Share capital (Note 8)                                    | 38,417,936      | 37,200,411      |
| Share subscriptions received in advance (Note 8)          | 96,279          | -               |
| Reserves (Notes 8 and 9)                                  | 1,142,093       | 1,219,513       |
| Deficit   | (18,237,199)    | (16,995,363)    |
|   | 21,419,109      | 21,424,561      |
|   | \$ 24,698,426   | \$ 24,498,697   |

**Nature of operations and going concern** (Note 1)**Commitments and contingencies** (Note 16)**Subsequent events** (Notes 8 and 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)

|   | <b>Three<br/>months<br/>ended<br/>March<br/>31, 2023</b> | <b>Three<br/>months<br/>ended<br/>March<br/>31, 2022</b> |
|---|--|--|
| <b>Property expenses</b>  |  |  |
| Exploration and evaluation expenditures (Notes 5 and 10)                            | \$ 841,931   | \$ 644,867   |
|   | (841,931)  | (644,867)  |
| <b>Administrative expenses</b>  |  |  |
| Administrative costs  | 9,981  | 10,662   |
| Directors' fees (Note 10)   | 24,915   | 24,056   |
| Filing fees   | 8,825  | 7,389  |
| Management fees   | 15,526   | 16,585   |
| Marketing and investor relations  | 39,841   | 57,261   |
| Office and miscellaneous  | 86,353   | 106,499  |
| Professional fees (Note 10)   | 66,284   | 78,094   |
| Share-based compensation (Notes 8 and 10)   | 78,288   | 229,664  |
| Shareholder communication   | 2,802  | 2,922  |
| Transfer agent  | 2,803  | 1,790  |
| Travel  | 28,035   | 51,641   |
| Wages and benefits (Note 10)  | 212,216  | 324,575  |
|   | (575,869)  | (911,138)  |
| <b>Operating loss</b>   | (1,417,800)  | (1,556,005)  |
| Accretion expense (Note 5)  | (14,891)   | (12,372)   |
| Foreign exchange loss   | (16,301)   | (11,309)   |
| Gain on settlement of accounts payable and accrued liabilities<br>(Note 8)          | 13,440   | -  |
| Recognition of flow-through share premium (Note 8)                                  | 87,917   | -  |
|   | 70,165   | (23,681)   |
| <b>Loss for the period</b>  | (1,347,635)  | (1,579,686)  |
| <b>Other comprehensive income (loss)</b>  |  |  |
| <b>Item that may be reclassified subsequently to profit and loss</b>                |  |  |
| Foreign currency translation adjustment   | 15,986   | 342,392  |
| <b>Comprehensive loss for the period</b>  | \$ (1,331,649)   | \$ (1,237,294)   |
| <b>Loss per common share – basic and diluted</b>                                    | \$ (0.02)  | \$ (0.03)  |
| <b>Weighted average number of common<br/>shares outstanding – basic and diluted</b> | 61,143,968   | 45,279,981   |

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    |               | Share subscriptions received in advance | Share-based reserves | Foreign currency translation reserves | Deficit         | Total         |
|--|------------------|---------------|---|----------------------|---------------------------------------|-----------------|---------------|
|  | Number of shares | Amount        |   |                      |                                       |                 |               |
| <b>December 31, 2021</b>   | 45,279,981       | \$ 33,172,493 | \$ -                                    | \$ 1,147,110         | \$ 399,606                            | \$ (11,335,791) | \$ 23,383,418 |
| Share-based compensation (Note 8)  | -                | -             | -                                       | 229,664              | -                                     | -               | 229,664       |
| Foreign currency translation   | -                | -             | -                                       | -                    | 342,392                               | -               | 342,392       |
| Loss for the period  | -                | -             | -                                       | -                    | -                                     | (1,579,686)     | (1,579,686)   |
| <b>March 31, 2022</b>  | 45,279,981       | 33,172,493    | -                                       | 1,376,774            | 741,998                               | (12,915,477)    | 22,775,788    |
| Issuance of units for cash (Note 8)  | 12,041,330       | 4,085,857     | -                                       | 374,411              | -                                     | -               | 4,460,268     |
| Flow-through share premium   | -                | (118,278)     | -                                       | -                    | -                                     | -               | (118,278)     |
| Share issue costs  | -                | (538,930)     | -                                       | 143,377              | -                                     | -               | (395,553)     |
| Issuance of common shares on acquisition of exploration and evaluation assets (Note 5) | 1,084,490        | 399,910       | -                                       | -                    | -                                     | -               | 399,910       |
| Issuance of units on settlement of accounts payable and accrued liabilities            | 26,000           | 11,698        | -                                       | 1,571                | -                                     | -               | 13,269        |
| Issuance of common shares on settlement of RSUs (Notes 8 and 9)                        | 400,000          | 187,661       | -                                       | (187,661)            | -                                     | -               | -             |
| Issuance of warrants for loans payable (Note 8)  | -                | -             | -                                       | 52,012               | -                                     | -               | 52,012        |
| Share-based compensation (Note 8)  | -                | -             | -                                       | 451,946              | -                                     | -               | 451,946       |
| Foreign currency translation   | -                | -             | -                                       | -                    | (1,734,915)                           | -               | (1,734,915)   |
| Loss for the period  | -                | -             | -                                       | -                    | -                                     | (4,079,886)     | (4,079,886)   |
| <b>December 31, 2022</b>   | 58,831,801       | 37,200,411    | -                                       | 2,212,430            | (992,917)                             | (16,995,363)    | 21,424,561    |

**KUYA SILVER CORPORATION**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd...)

(Expressed in US Dollars)

(Unaudited)

|  | Share Capital     |                   | Share subscriptions received in advance | Share-based reserves | Foreign currency translation reserves | Deficit             | Total             |
|--|-------------------|-------------------|---|----------------------|---------------------------------------|---------------------|-------------------|
|  | Number of shares  | Amount            |   |                      |                                       |                     |                   |
| <b>December 31, 2022</b>   | 58,831,801        | \$ 37,200,411     | \$ -                                    | \$ 2,212,430         | \$ (992,917)                          | \$ (16,995,363)     | \$ 21,424,561     |
| Issuance of common shares on acquisition of exploration and evaluation assets (Note 5) | 4,369,370         | 1,057,491         | -                                       | -                    | -                                     | -                   | 1,057,491         |
| Issuance of common shares on settlement of accounts payable and accrued liabilities    | 405,405           | 94,139            | -                                       | -                    | -                                     | -                   | 94,139            |
| Issuance of common shares on settlement of RSUs (Notes 8 and 9)                        | 150,000           | 65,895            | -                                       | (65,895)             | -                                     | -                   | -                 |
| Share subscriptions received in advance (Note 8)                                       | -                 | -                 | 96,279                                  | -                    | -                                     | -                   | 96,279            |
| Options forfeited or expired (Note 9)  | -                 | -                 | -                                       | (105,799)            | -                                     | 105,799             | -                 |
| Share-based compensation (Note 8)  | -                 | -                 | -                                       | 78,288               | -                                     | -                   | 78,288            |
| Foreign currency translation   | -                 | -                 | -                                       | -                    | 15,986                                | -                   | 15,986            |
| Loss for the period  | -                 | -                 | -                                       | -                    | -                                     | (1,347,635)         | (1,347,635)       |
| <b>March 31, 2023</b>  | <b>63,756,576</b> | <b>38,417,936</b> | <b>96,279</b>                           | <b>2,119,024</b>     | <b>(976,931)</b>                      | <b>(18,237,199)</b> | <b>21,419,108</b> |

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)

|  | <b>Three months<br/>ended March<br/>31, 2023</b> | <b>Three months<br/>ended March<br/>31, 2022</b> |
|--|--|--|
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>          |  |  |
| Loss for the period  | \$ (1,347,635)                                   | \$ (1,579,686)                                   |
| Adjust for items not involving cash:                           |  |  |
| Depreciation   | 25,578   | 28,700   |
| Accretion expense  | 14,891   | 12,372   |
| Share-based compensation                                       | 78,288   | 229,664  |
| Recognition of flow-through share premium                      | (87,917)   | -  |
| Unrealized foreign exchange loss (gain)                        | (102,141)  | 9,166  |
| Gain on settlement of accounts payable and accrued liabilities | (13,440)   | -  |
| Gain on disposal of facilities and equipment                   | (2,477)  | -  |
| Change in non-cash working capital items:                      |  |  |
| Receivables  | (32,458)   | (19,546)   |
| Prepays and advances   | 145,487  | (6,127)  |
| Accounts payable and accrued liabilities                       | 583,089  | (11,898)   |
| Net cash used in operating activities                          | (738,735)  | (1,337,355)                                      |
| <b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>          |  |  |
| Disposal of facilities and equipment                           | 20,500   | -  |
| Additions to exploration and evaluation assets                 | (100,000)  | -  |
| Net cash used in investing activities                          | (79,500)   | -  |
| <b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITY</b>            |  |  |
| Share subscriptions received in advance                        | 96,279   | -  |
| Net cash provided by financing activity                        | 96,279   | -  |
| Change in cash   | (721,956)  | (1,337,355)                                      |
| Effect of foreign exchange on cash                             | 2,331  | 53   |
| <b>Cash, beginning of period</b>                               | <b>1,196,879</b>                                 | <b>2,152,611</b>                                 |
| <b>Cash, end of period</b>                                     | <b>\$ 477,254</b>                                | <b>\$ 815,309</b>                                |

**Supplemental cash flow information (Note 11)**

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

**KUYA SILVER CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in US Dollars)

(Unaudited)

MARCH 31, 2023

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Kuya Silver Corporation (the “Company”) is a mineral exploration and development company with a focus on acquiring, exploring and advancing precious metal assets in Peru and Canada. The Company was incorporated on July 15, 2015 under the Business Corporations Act (British Columbia). 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.

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. The Company’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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Although the Company raised capital in previous reporting periods and subsequent to period end (Note 17), through private placements of its common shares, additional funding will be required to continue current operations and further advance its existing exploration and evaluation assets in the upcoming 12 months. 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. 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.

**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, 2022, 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 (“Board”) of the Company on May 24, 2023.



**KUYA SILVER CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in US Dollars)

(Unaudited)

MARCH 31, 2023

**2. BASIS OF PRESENTATION (cont'd...)****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 \$.

**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             |
|--------------------------------------|--------------------------|-------------------------|--------------------------------|
| CobalTech Mining Inc. ("CobalTech")  | Canada                   | 100%                    | Exploration in Canada          |
| Kuya Silver Inc.                     | Canada                   | 100%                    | Holding company                |
| Puno Gold Corporation                | Canada                   | 100%                    | Holding company (inactive)     |
| Minera Toro del Plata S.A.C. ("MTP") | 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%                    | Exploration in Peru (inactive) |
| Kuya Silver Panama, S.A.             | Panama                   | 100%                    | Holding company (inactive)     |

**KUYA SILVER CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in US Dollars)

(Unaudited)

MARCH 31, 2023

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

The Company uses the Black-Scholes option pricing model for valuation of compensatory options and warrants. 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.

Estimated reclamation and closure costs

The Company's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, movements in foreign exchange rates, and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties.

**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:

**KUYA SILVER CORPORATION**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in US Dollars)

(Unaudited)

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

**Significant judgments (cont'd...)**

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.

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.

Going concern

The Company has exercised judgment in determining whether its available funds are sufficient to continue operations for 12 months from the end of the reporting period.

**KUYA SILVER CORPORATION**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in US Dollars)

(Unaudited)

MARCH 31, 2023

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**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, 2022, except as noted below.

Effective January 1, 2023, the Company adopted the amendments to *IAS 12, Income Taxes*, which requires companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was no impact on these condensed interim consolidated financial statements on adoption.

**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, 2024 which have not been applied in preparing these consolidated financial statements as they are not yet effective. The standards and amendments to standards that would be applicable to the consolidated financial statements of the Company are the following:

*IAS 1, Presentation of Financial Statements*

The amendments clarify the requirements for classifying liabilities as current or non-current. The amendments provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. This amendment is effective for financial statements beginning on or after January 1, 2024, with early adoption permitted.

The Company is assessing the potential impact of the application of this standard.

**KUYA SILVER CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in US Dollars)

(Unaudited)

MARCH 31, 2023

**4. FACILITIES AND EQUIPMENT**

|                                    | Facilities and<br>leasehold<br>improvements | Vehicles    | Field<br>equipment | Total             |
|------------------------------------|---|-------------|--------------------|-------------------|
| <b>COST</b>                        |   |             |                    |                   |
| <b>December 31, 2021</b>           | \$ 250,908                                  | \$ 27,460   | \$ 11,830          | \$ 290,198        |
| Adjustment on currency translation | (15,628)                                    | (1,710)     | (737)              | (18,075)          |
| <b>December 31, 2022</b>           | 235,280                                     | 25,750      | 11,093             | 272,123           |
| Disposals                          | -   | (25,750)    | -                  | (25,750)          |
| Adjustment on currency translation | 196   | -           | 9                  | 205               |
| <b>March 31, 2023</b>              | <b>\$ 235,476</b>                           | <b>\$ -</b> | <b>\$ 11,102</b>   | <b>\$ 246,578</b> |
| <b>ACCUMULATED DEPRECIATION</b>    |   |             |                    |                   |
| <b>December 31, 2021</b>           | \$ 53,766                                   | \$ 2,747    | \$ 1,822           | \$ 58,335         |
| Depreciation                       | 106,435                                     | 5,437       | 1,443              | 113,315           |
| Adjustment on currency translation | (8,951)                                     | (457)       | (189)              | (9,597)           |
| <b>December 31, 2022</b>           | 151,250                                     | 7,727       | 3,076              | 162,053           |
| Disposals                          | -   | (7,727)     | -                  | (7,727)           |
| Depreciation                       | 25,236                                      | -           | 342                | 25,578            |
| Adjustment on currency translation | 119   | -           | 2                  | 122               |
| <b>March 31, 2023</b>              | <b>\$ 176,605</b>                           | <b>\$ -</b> | <b>\$ 3,420</b>    | <b>\$ 180,025</b> |
| <b>NET BOOK VALUE</b>              |   |             |                    |                   |
| <b>December 31, 2022</b>           | \$ 84,030                                   | \$ 18,023   | \$ 8,017           | \$ 110,070        |
| <b>March 31, 2023</b>              | <b>\$ 58,871</b>                            | <b>\$ -</b> | <b>\$ 7,682</b>    | <b>\$ 66,553</b>  |

During the three months ended March 31, 2023, the Company disposed of vehicles for proceeds of \$20,500 (2022 - \$nil). The resulting gain of \$2,477 (2022 - \$nil) is included in operations and supplies in exploration and evaluation expenditures. Depreciation is included in operations and supplies in exploration and evaluation expenditures.

**KUYA SILVER CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in US Dollars)

(Unaudited)

MARCH 31, 2023

**5. EXPLORATION AND EVALUATION ASSETS**

Exploration and evaluation assets include assets in Peru and in Canada.

| <b>Project</b>                     | <b>Bethania<br/>Silver<br/>Project</b> | <b>Silver<br/>Kings<br/>Project</b> | <b>Total</b>         |
|------------------------------------|--|-------------------------------------|----------------------|
| <b>December 31, 2021</b>           | \$ 18,191,846                          | \$ 6,282,128                        | \$ 24,473,974        |
| Additions                          | 60,000                                 | -                                   | 60,000               |
| Reclamation provision adjustment   | -                                      | (182,143)                           | (182,143)            |
| Adjustment on currency translation | (1,134,820)                            | (391,290)                           | (1,526,110)          |
| <b>December 31, 2022</b>           | 17,117,026                             | 5,708,695                           | 22,825,721           |
| Issuance of common shares          | -                                      | 1,057,491                           | 1,057,491            |
| Adjustment on currency translation | 14,233                                 | 3,844                               | 18,077               |
| <b>March 31, 2023</b>              | <b>\$ 17,131,260</b>                   | <b>\$ 6,770,030</b>                 | <b>\$ 23,901,289</b> |

**Bethania Silver Project, Peru**

The Company's Bethania Silver Project consists of three properties in the same area of interest, Bethania, Carmelitas, and Tres Banderas.

Bethania

In fiscal 2020, the Company completed the acquisition of MTP, whose principal asset is its interest in Bethania.

As at March 31, 2023, the Company has recorded a reclamation provision in the amount of \$49,797 (December 31, 2022 - \$49,459) as an estimate for potential future reclamation and rehabilitation obligations at Bethania, based on activities to date. The estimated costs to be incurred have been adjusted for inflation of 2% (December 31, 2022 - 2%) and then discounted using current market-based pre-tax discount rate of 5% (December 31, 2022 - 5%).

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Bethania Silver Project, Peru (cont'd...)**Carmelitas

In fiscal 2021, the Company acquired mining concessions located in the district of Acobambilla, department of Huancavelica, Peru, west of Bethania, known as the Carmelitas concessions for a total purchase price of \$892,500, consisting of \$492,500 in cash and \$400,000 in common shares. Upon signing of the agreements, \$293,500 was paid, with the remaining \$199,000 due on May 14, 2022 (included in accounts payable and accrued liabilities) and the \$400,000 in common shares due on November 14, 2022 (presented as obligation to issue shares on the consolidated statements of financial position). On September 21, 2022, the Company and the vendor amended the agreement, which increased the total purchase price from \$892,500 to \$952,500. In accordance with the amended agreement, the Company paid the additional \$60,000 and issued 1,084,490 common shares valued at \$399,910 in settlement of the obligation to issue shares. The \$199,000 due on May 14, 2022 was then amended to be due as follows: \$99,000 on October 15, 2022 (paid in fiscal 2022) and \$100,000 on November 30, 2022 (paid in the three months ended March 31, 2023).

Tres Banderas

The Company has contiguous mining concessions principally located in the district of Acobambilla, department of Huancavelica, Peru, surrounding the Bethania property, known as the Tres Banderas Concessions.

**Silver Kings Project, Canada**

The Company's Silver Kings Project consists of properties (including patents, leases and mineral claims) located in the Cobalt district of northeastern Ontario, Canada. Historically the Company referred to groups of properties as different projects including the Kerr Project, Silver Kings Joint Venture and Sunrise Claims, due to different ownership interests; however, all these properties have now been consolidated under the 100%-owned (subject to a 2% royalty on net smelter returns on certain claims) Silver Kings Project.

Kerr Project

On February 26, 2021, the Company entered into a share purchase and option agreement (the "Purchase Agreement") with Electra Battery Metals Corporation ("Electra", formerly known as First Cobalt Corp.), a Canadian public company that owned certain silver mineral exploration assets (the "Kerr Assets"), located in the Cobalt, Ontario region.

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Silver Kings Project, Canada (cont'd...)**Kerr Project (cont'd...)

As at March 31, 2023, the Company has recorded a reclamation provision in the amount of \$1,819,417 (December 31, 2022- \$1,803,030) as an estimate for potential future reclamation and rehabilitation obligations on the Kerr Assets, based on the historical activities on the project to date. The estimated costs to be incurred have been adjusted for inflation of 3% (December 31, 2022- 3%) and then discounted using current market-based pre-tax discount rate of 3.3% (December 31, 2022- 3.3%). During the year ended December 31, 2022, the Company recorded a change in estimate related to the reclamation provision of \$182,143, which was recorded as decrease to exploration and evaluation assets. During the three months ended March 31, 2023, the Company recorded accretion related to the reclamation provision of \$14,891 (March 31, 2022- \$12,372), which was recorded as an increase to the reclamation provision on the statement of financial position, with an offsetting amount to accretion expense in profit and loss.

Silver Kings (formerly Silver Kings JV)

The Purchase Agreement with Electra also provided the Company with an option (the "Option") to acquire up to a 70% interest in Electra's remaining silver mineral assets (the "Remaining Assets") in the Cobalt, Ontario area and to form a joint venture. To fully exercise the Option, the Company was required to make cash payments totaling CAD \$2,000,000 and complete work commitments of CAD \$4,000,000 on or before September 1, 2024. The Purchase Agreement provides that the Company may issue an equivalent value in common shares of the Company at the 20-day volume-weighted average price in lieu of making the cash payments. In fiscal 2021, the Company issued 671,141 common shares to Electra, valued at \$771,916 (CAD \$973,154), in lieu of a CAD \$1,000,000 cash payment, under the Option.

In fiscal 2022, the Company and Electra amended the Purchase Agreement and Option to provide the Company with the right to acquire 100% of the Remaining Assets. To fully exercise the amended Option, the Company was required to make an additional cash payment of CAD \$1,000,000 by January 31, 2023. During the three months ended March 31, 2023, the Company issued 2,702,703 common shares to Electra, valued at \$627,594 (CAD \$837,838), in lieu of the CAD \$1,000,000 cash payment, under the Option and acquired 100% of the Remaining Assets. As per the amendment, the Company granted a 2% royalty on net smelter returns from commercial production on the Remaining Assets.



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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Silver Kings Project, Canada (cont'd...)**Silver Kings (formerly Silver Kings JV) (cont'd...)

During the three months ended March 31, 2023, the Company entered into a settlement agreement with Canadian Silver Hunter Inc. ("CSH") and Cobalt Projects International Corp. (a subsidiary of Electra, "CPIC"), which settles a dispute (the "Dispute") between CSH and CPIC regarding certain mineral properties previously optioned by CPIC from CSH. The Dispute was transferred to the Company upon the Silver Kings JV amended Purchase Agreement and Option. To settle the Dispute and acquire CSH's interest in the mineral properties, the Company issued 1,666,667 common shares to CSH, valued at \$429,897 (CAD \$591,667), and obtained a 100% interest in the mineral properties associated with the Dispute. In connection with settling the Dispute, the Company also entered into an agreement with CSH granting CSH a 2% royalty on net smelter returns from commercial production on the related mineral properties.

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the three months ended March 31, 2023 are as follows:

| <b>Project</b>                            | <b>Bethania<br/>Silver<br/>Project</b> | <b>Silver<br/>Kings<br/>Project</b> | <b>Total</b>      |
|---|--|-------------------------------------|-------------------|
| Civil works and engineering               | \$ 19,233                              | \$ 103,302                          | \$ 122,535        |
| Geology and drilling                      | 15,053                                 | 412,148                             | 427,201           |
| Operations and supplies                   | 66,071                                 | 32,657                              | 98,728            |
| Property maintenance, licences and rights | 31,868                                 | -                                   | 31,868            |
| Safety and environment                    | 15,315                                 | 2,656                               | 17,971            |
| Value-added tax                           | 15,555                                 | -                                   | 15,555            |
| Wages and benefits                        | 50,861                                 | 77,212                              | 128,073           |
| <b>Total</b>                              | <b>\$ 213,956</b>                      | <b>\$ 627,975</b>                   | <b>\$ 841,931</b> |

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Exploration and evaluation expenditures (cont'd...)

Exploration and evaluation expenditures for the three months ended March 31, 2022 are as follows:

| <b>Project</b>                            | <b>Bethania<br/>Silver<br/>Project</b> | <b>Kerr</b>      | <b>Silver<br/>Kings JV</b> | <b>Total</b>      |
|---|--|------------------|----------------------------|-------------------|
| Civil works and engineering               | \$ 187,207                             | \$ -             | \$ -                       | \$ 187,207        |
| Geology and drilling                      | 105,471                                | -                | -                          | 105,471           |
| Operations and supplies                   | 95,552                                 | 4,581            | 2,220                      | 102,353           |
| Property maintenance, licences and rights | 4,808                                  | 6,595            | -                          | 11,403            |
| Safety and environment                    | 41,601                                 | 1,841            | -                          | 43,442            |
| Value-added tax                           | 65,649                                 | -                | -                          | 65,649            |
| Wages and benefits                        | 94,466                                 | 14,287           | 20,589                     | 129,342           |
| <b>Total</b>                              | <b>\$ 594,754</b>                      | <b>\$ 27,304</b> | <b>\$ 22,809</b>           | <b>\$ 644,867</b> |

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                               | <b>March<br/>31, 2023</b> | <b>December<br/>31, 2022</b> |
|-------------------------------|---------------------------|------------------------------|
| Accounts payable              | \$ 1,304,176              | \$ 821,749                   |
| Carmelitas agreement (Note 5) | -                         | 100,000                      |
| Accrued liabilities           | 75,453                    | 181,629                      |
|                               | <b>\$ 1,379,629</b>       | <b>\$ 1,103,378</b>          |

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**7. LOANS PAYABLE**

In fiscal 2022, the Company entered into unsecured loan agreements with a director and an officer (the “lenders”), whereby the parties would provide CAD \$250,000 and CAD \$50,000, respectively. The loans had 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, as further compensation, issued 450,000 warrants to the parties. Each warrant is exercisable at a price of CAD \$0.47 for a period of twelve months from the date of issuance. The warrants were valued at \$52,012, calculated using the Black-Scholes option pricing model assuming a life expectancy of one year, a risk-free interest rate of 3.06%, a dividend rate of nil%, a forfeiture rate of nil%, and volatility of 79%. In fiscal 2022, the Company received CAD \$300,000 (\$232,141) (2021 - \$nil) from the lenders and repaid CAD \$300,000 (\$232,141) (2021 - \$nil) to the lenders. The lenders waived any and all interest amounts upon repayment.

**8. 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. As at March 31, 2023, the Company had not issued any preferred shares.

**Issued share capital**

During the year ended December 31, 2022, the Company issued:

- a) 804,334 units at a price of CAD \$0.90 per unit by way of a private placement that closed in two tranches, for total proceeds of \$556,829 (CAD \$723,901). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD \$1.20 per common share for a period of 24 months from the date of issue. The 402,166 warrants were valued at \$177,921, calculated using the residual value method. The Company paid a total of \$11,034 for fees and other share issue costs;

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**8. SHARE CAPITAL (cont'd...)****Issued share capital (cont'd...)**

- b) 5,718,000 units at a price of CAD \$0.45 per unit by way of a brokered private placement for total proceeds of \$1,997,749 (CAD \$2,573,100) and a non-brokered private placement of 1,320,000 units at a price of CAD \$0.45 per unit for total proceeds of \$461,180 (CAD \$594,000), for aggregate gross proceeds of \$2,458,929 (CAD \$3,167,100). Each unit consisted of one common share and one transferrable common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD \$0.70 per common share for a period of five years from the date of issue. The 7,038,000 warrants were valued at \$nil, calculated using the residual value method. The Company paid a total of \$303,011 for fees and other share issue costs and issued 422,280 warrants for finders' fees in connection with this private placement. Each finder's fee warrant entitles the holder to acquire one common share at a price of CAD \$0.45 per common share for a period of two years from the date of issue. The finders' fee warrants were valued at \$118,266, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.28%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 88%. ALS GoldSpot Discoveries Ltd. ("GoldSpot") participated in the private placement and the Company concurrently signed a services agreement in the amount of CAD \$315,000 with 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.;
- c) 1,898,996 units at a price of CAD \$0.43 per unit by way of a private placement that closed in two tranches, for total proceeds of \$599,668 (CAD \$816,568). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD \$0.70 per common share for a period of 36 months from the date of issue. The 1,898,996 warrants were valued at \$78,213, calculated using the residual value method. The Company paid a total of \$30,817 for fees and other share issue costs and issued 71,421 finder's fee warrants and 13,395 finder's fee units for finders' fees in connection with this private placement. Each finder's fee warrant entitles the holder to acquire one common share at a price of CAD \$0.70 per common share for a period of 36 months from the date of issue. The finders' fee warrants were valued at \$8,085, calculated using the Black-Scholes option pricing model assuming a life expectancy of three years, a risk-free interest rate of 3.48%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 88%. Each finder's fee unit entitles the holder to acquire one unit at a price of CAD \$0.43 per unit for a period of 12 months from the date of issue. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of CAD \$0.70 per common share for a period of 36 months from the date of issue. The finder's fee units were valued at \$1,404, calculated using the Black-Scholes option pricing model assuming a life expectancy of one year, a risk-free interest rate of 3.85%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 91%;

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**8. SHARE CAPITAL (cont'd...)****Issued share capital (cont'd...)**

- d) 2,300,000 units at a price of CAD \$0.50 per unit by way of a private placement for total proceeds of \$844,842 (CAD \$1,150,000). Each unit consisted of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD \$0.70 per common share for a period of 36 months from the date of issue. The flow-through shares were issued at a premium of \$118,278. The 1,150,000 warrants were valued at \$118,277, calculated using the residual value method. The Company paid a total of \$50,691 for fees and issued 138,000 warrants for finders' fees in connection with this private placement. Each finder's fee warrant entitles the holder to acquire one common share at a price of CAD \$0.70 per common share for a period of 36 months from the date of issue. The finders' fee warrants were valued at \$15,622, calculated using the Black-Scholes option pricing model assuming a life expectancy of three years, a risk-free interest rate of 3.48%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 88%;
- e) 1,084,490 common shares, valued at \$399,910, for settlement of the obligation to issue shares pursuant to the acquisition of the Carmelitas concessions (Note 5);
- f) 26,000 units, valued at \$13,269, for the settlement of accounts payable, which resulted in a gain on settlement of accounts payable and accrued liabilities of \$4,797. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD \$1.20 per common share for a period of 24 months from the date of issue. The common shares were valued at \$11,698 and the warrants were valued at \$1,571, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.10%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 84%; and
- g) 400,000 common shares, valued at \$187,661, for settlement of vested restricted share units ("RSUs").

During the three months ended March 31, 2023, the Company issued:

- a) 2,702,703 common shares, valued at \$627,594, pursuant to the amended Option on the Silver Kings Project (Note 5);
- b) 1,666,667 common shares, valued at \$429,897, pursuant to the Dispute on the Silver Kings Project (Note 5);
- c) 405,405 common shares on settlement of CAD \$150,000, recorded in accounts payable and accrued liabilities, which resulted in a gain of \$13,440, recorded as gain on settlement of accounts payable and accrued liabilities; and
- d) 150,000 common shares, valued at \$65,895, for settlement of vested RSUs.

**Escrow shares**

On October 7, 2020, the Company entered into an escrow agreement pursuant to which 8,869,165 common shares were placed in escrow. These shares are subject to release in tranches over time; 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, 2023, there are 2,660,748 (December 31, 2022- 2,660,748) shares held in escrow.

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**8. SHARE CAPITAL (cont'd...)**

**Flow-through share premium**

|   | <b>Total</b> |
|---|--------------|
| <b>December 31, 2021</b>                  | \$ -         |
| Flow-through share premium additions      | 118,278      |
| Recognition of flow-through share premium | (657)        |
| Adjustment on currency translation        | 648          |
| <b>December 31, 2022</b>                  | 118,269      |
| Recognition of flow-through share premium | (87,917)     |
| Adjustment on currency translation        | 122          |
| <b>March 31, 2023</b>                     | \$ 30,474    |

**Share purchase warrants**

The continuity of share purchase warrants of the Company was as follows:

|   | <b>Number of<br/>warrants</b> |           | <b>Weighted<br/>average<br/>exercise price<br/>(in CAD)</b> |
|---|-------------------------------|-----------|---|
| Balance as at December 31, 2021                           | 2,421,325                     | \$        | 2.60  |
| Issued  | 11,583,863                    |           | 0.70  |
| <b>Balance as at December 31, 2022 and March 31, 2023</b> | <b>14,005,188</b>             | <b>\$</b> | <b>1.03</b>   |

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**8. SHARE CAPITAL (cont'd...)****Share purchase warrants (cont'd...)**

As at March 31, 2023, the Company had outstanding share purchase warrants enabling the holder to acquire common shares as follows:

| <b>Number of<br/>share purchase<br/>warrants</b> | <b>Exercise<br/>price<br/>(in CAD)</b> | <b>Weighted average<br/>remaining life<br/>(years)</b> | <b>Expiry date</b> |
|--|--|--|--------------------|
| 2,421,325  | \$ 2.60                                | 0.21   | June 16, 2023      |
| 450,000  | \$ 0.47                                | 0.31   | July 22, 2023      |
| 326,666  | \$ 1.20                                | 1.12   | May 12, 2024       |
| 88,500   | \$ 1.20                                | 1.25   | June 30, 2024      |
| 422,280  | \$ 0.45                                | 1.36   | August 9, 2024     |
| 529,070  | \$ 0.70                                | 2.70   | December 9, 2025   |
| 2,729,347  | \$ 0.70                                | 2.73   | December 21, 2025  |
| 7,038,000  | \$ 0.70                                | 4.36   | August 9, 2027     |
| 14,005,188                                       |  |  |                    |

**Finder's fee units**

The continuity of finder's fee units of the Company was as follows:

|  | <b>Number of<br/>finder's<br/>fee units</b> | <b>Weighted<br/>average<br/>exercise price<br/>(in CAD)</b> |
|--|---|---|
| Balance as at December 31, 2021                    | -   | \$ -  |
| Issued   | 13,395                                      | 0.43  |
| Balance as at December 31, 2022 and March 31, 2023 | 13,395                                      | \$ 0.43   |

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**8. SHARE CAPITAL (cont'd...)****Finder's fee units (cont'd...)**

As at March 31, 2023, the Company had outstanding finder's fee units enabling the holder to acquire units as follows:

| <b>Number of<br/>finder's<br/>fee units</b> | <b>Exercise<br/>price<br/>(in CAD)</b> | <b>Weighted average<br/>remaining life<br/>(years)</b> | <b>Expiry date</b> |
|---|--|--|--------------------|
| 13,395                                      | \$ 0.43                                | 0.69   | December 9, 2023   |
| 13,395                                      |  |  |                    |

**9. SHARE-BASED COMPENSATION**

The Company's equity incentive plan ("the Plan") provides for the grant of stock options and awards ("Awards") that enable the acquisition of common shares of the Company. Awards include stock options, 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 Company's Board or a committee thereof ("Committee"), at the time of grant. 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.

**Stock options**

The Company has a shareholder-approved rolling stock option plan under which the Committee appointed by the Board to administer the Plan 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 with an expiry date of a maximum of five years from the date of grant. The exercise price of each option is determined by the Committee but shall not be less than the greater of the fair market value on the trading day prior to the date of grant and the date of grant. At the time of grant, the Committee may determine when an option will become exercisable, subject to the rules of the CSE. The vesting schedule of the options is determined at the discretion of the Committee, but generally vest equally over a three-year period, starting on the date of grant and the first and second anniversaries of date of grant, provided that the participant's termination date does not occur prior to the applicable vesting date.



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**9. SHARE-BASED COMPENSATION (cont'd...)****Stock options (cont'd...)**

Under the Original Plan, the exercise price of each option could 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 and could be granted for a maximum term of 10 years with vesting provisions as determined by the Board.

During the three months ended March 31, 2023, the Company granted 550,000 (2022 - 577,500) stock options with a fair value of \$94,603 (2022 - \$290,061) using the Black-Scholes option pricing model assuming a life expectancy of 5 years (2022 - 5 years), a risk-free interest rate of 2.88% (2022 - 1.64%), a forfeiture rate of nil (2022 - nil), and volatility of 87% (2022 - 86%).

During the three months ended March 31, 2023, the Company expensed \$49,188 (2022 - \$229,664) for the fair value of options, which was recorded in share-based compensation.

During the three months ended March 31, 2023, 181,667 (2022 - nil) incentive stock options were forfeited or expired; accordingly, the \$105,799 (2022 - \$nil) fair value associated with the options was reclassified from reserves to deficit.

The continuity of option transactions of the Company was as follows:

|                                  | Number of<br>options |    | Weighted<br>average<br>exercise price<br>(in CAD) |
|----------------------------------|----------------------|----|---|
| Balance as at December 31, 2021  | 1,542,500            | \$ | 1.59  |
| Granted                          | 827,500              |    | 0.83  |
| Forfeited / expired              | (83,333)             |    | 1.31  |
| Balance as at December 31, 2022  | 2,286,667            |    | 1.33  |
| Granted                          | 550,000              |    | 0.35  |
| Forfeited / expired              | (181,667)            |    | 1.21  |
| Balance as at March 31, 2023     | 2,655,000            | \$ | 1.09  |
| Exercisable as at March 31, 2023 | 1,879,166            | \$ | 1.26  |

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**9. SHARE-BASED COMPENSATION (cont'd...)****Stock options (cont'd...)**

As at March 31, 2023, 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                     |
|-------------------|-------------------------------|-------------------------|---|---------------------------------|
| 125,000           | 125,000                       | \$ 3.75                 | 0.13                                    | May 17, 2023 <sup>(1)</sup>     |
| 100,000           | 100,000                       | \$ 1.55                 | 0.23                                    | June 24, 2023                   |
| 62,500            | 62,500                        | \$ 4.15                 | 0.90                                    | February 21, 2024               |
| 770,000           | 770,000                       | \$ 0.90                 | 2.51                                    | October 1, 2025                 |
| 98,333            | 83,333                        | \$ 1.55                 | 3.24                                    | June 24, 2026 <sup>(2)</sup>    |
| 180,000           | 120,000                       | \$ 1.90                 | 3.24                                    | June 24, 2026                   |
| 519,167           | 351,667                       | \$ 0.94                 | 3.84                                    | January 31, 2027 <sup>(3)</sup> |
| 250,000           | 83,333                        | \$ 0.57                 | 4.39                                    | August 19, 2027                 |
| 550,000           | 183,333                       | \$ 0.34                 | 4.82                                    | January 25, 2028                |
| <b>2,655,000</b>  | <b>1,879,166</b>              |                         |   |                                 |

<sup>(1)</sup> expired, unexercised subsequent to period end

<sup>(2)</sup> 53,333 were forfeited subsequent to period end

<sup>(3)</sup> 16,667 were forfeited subsequent to period end

**Restricted share units and performance share units**

During the three months ended March 31, 2023, the Company granted 650,000 (2022 - nil) RSUs with a fair value of \$162,585 (2022 - \$nil), which vest over a period of up to 24 months.

The Plan also provides the Company with the ability to grant PSUs. The vesting requirements for PSUs are based on certain performance criteria over the vesting period established by the Committee. The number of PSUs that vest is determined by multiplying the number of PSUs granted by an adjustment factor, which ranges from 0% to 200%, based on performance results. As at March 31, 2023, the Company had not issued any PSUs.

During the three months ended March 31, 2023, the Company expensed \$29,100 (2022 - \$nil) for the fair value of RSUs, which was recorded in share-based compensation.

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**9. SHARE-BASED COMPENSATION (cont'd...)****Restricted share units and performance share units (cont'd...)**

The continuity of RSUs transactions of the Company was as follows:

|                                 | <b>Number of<br/>RSUs</b> |
|---------------------------------|---------------------------|
| Balance as at December 31, 2021 | -                         |
| Granted                         | 700,000                   |
| Cancelled                       | (25,000)                  |
| Settled                         | (400,000)                 |
| Balance as at December 31, 2022 | 275,000                   |
| Granted                         | 650,000                   |
| Cancelled                       | (37,500)                  |
| Settled                         | (150,000)                 |
| Balance as at March 31, 2023    | 762,500                   |

**10. 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 and their spouses:

|                          | <b>Three<br/>months<br/>ended<br/>March<br/>31, 2023</b> | <b>Three<br/>months<br/>ended<br/>March<br/>31, 2022</b> |
|--------------------------|--|--|
| Directors' fees          | \$ 24,028  | \$ 23,006  |
| Professional fees        | 28,833   | -  |
| Share-based compensation | 66,012   | 172,080  |
| Wages and benefits       | 105,572  | 142,675  |
|                          | <b>\$ 224,445</b>  | <b>\$ 337,761</b>  |

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**10. RELATED PARTY TRANSACTIONS (cont'd...)**

During the three months ended March 31, 2023, administrative and exploration and evaluation expenditures of \$26,065 (March 31, 2022 - \$91,668) were paid or accrued to a related entity, which provides engineering and subcontractor services for the Bethania Silver Project. As at March 31, 2023, included in accounts payable and accrued liabilities was \$28,124 (December 31, 2022 - \$nil) owing to this entity.

As at March 31, 2023, included in accounts payable and accrued liabilities was \$73,388 (December 31, 2022 - \$53,703) owing to officers and directors.

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

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

|  | <b>Three<br/>months<br/>ended<br/>March<br/>31, 2023</b> | <b>Three<br/>months<br/>ended<br/>March<br/>31, 2022</b> |
|--|--|--|
| Reclassification of reserves to share capital on expiry of options         | \$ 105,799   | \$ -   |
| Shares issued for settlement of RSUs                                       | \$ 65,895  | \$ -   |
| Shares issued for settlement of accounts payable and accrued liabilities   | \$ 94,139  | \$ -   |
| Shares issued on acquisition of exploration and evaluation assets (Note 9) | \$ 1,057,491   | \$ -   |

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**12. 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, 2023                      |                     |           |                   |           |                   |
| Exploration and evaluation assets         | \$ 6,770,030        | \$        | 17,131,259        | \$        | 23,901,289        |
| Other assets                              | 635,159             |           | 161,978           |           | 797,135           |
| <b>Total assets</b>                       | <b>\$ 7,405,189</b> | <b>\$</b> | <b>17,293,237</b> | <b>\$</b> | <b>24,698,426</b> |
| For the three months ended March 31, 2023 |                     |           |                   |           |                   |
| Loss                                      | \$ (940,517)        | \$        | (407,118)         | \$        | (1,347,636)       |
| As at December 31, 2022                   |                     |           |                   |           |                   |
| Exploration and evaluation assets         | \$ 5,708,695        | \$        | 17,117,026        | \$        | 22,825,721        |
| Other assets                              | 1,350,075           |           | 322,901           |           | 1,672,976         |
| <b>Total assets</b>                       | <b>\$ 7,058,770</b> | <b>\$</b> | <b>17,439,927</b> | <b>\$</b> | <b>24,498,697</b> |
| For the three months ended March 31, 2022 |                     |           |                   |           |                   |
| Loss                                      | \$ (704,261)        | \$        | (875,425)         | \$        | (1,579,686)       |

**13. FINANCIAL INSTRUMENT RISKS**

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, 2023, 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.

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**13. FINANCIAL INSTRUMENT RISKS (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 does not have sufficient cash as at March 31, 2023 to settle its current liabilities as they come due and additional funds are required to continue current operations for the upcoming twelve months (Note 1).

**Market risk**

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

Foreign currency exchange risk

This risk relates to any changes in foreign currencies in which the Company transacts. The Company incurs costs for goods and services denominated in currencies other than the presentation currency and is subject to foreign currency risk on assets and liabilities denominated in currencies other than the United States dollar. The effect of a 10% change in the foreign exchange rate on monetary balances held in United States dollar and Peruvian soles accounts would be approximately \$6,000 recorded in profit or loss for the three months ended March 31, 2023. The effect of a 10% change in the foreign exchange rate on monetary balances held in CAD dollar and Peruvian soles accounts would be approximately \$91,000 recorded in other comprehensive income or loss for the three months ended March 31, 2023.

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 three months ended March 31, 2023.

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.

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**14. 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 cash, receivables, accounts payable and accrued liabilities approximates their carrying values due to the short-term nature of these financial 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, 2023.

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**16. COMMITMENTS AND CONTINGENCIES****Commitments**

As at March 31, 2023, the Company has a commitment to pay a monthly fee of \$5,000 for advisory services provided to the Company in Peru to a shareholder of the Company. This commitment remains in place for as long as this shareholder maintains a share ownership position of more than five percent of the Company.

During the year ended December 31, 2022, the Company raised flow-through funds (Note 9) and agreed to use its commercially reasonable best efforts to incur qualifying exploration expenditures by December 31, 2023. As at March 31, 2023, the Company was obligated to incur \$217,666 in qualifying exploration expenditures.

**Contingencies**

As at March 31, 2023, the Company has the following contingency: MTP withheld an accrued payment of \$140,000 due to Compañía Minera San Valentín S.A.C. ("San Valentín") and an arbitration was initiated by San Valentín against the Company before an arbitration panel. The Company was ordered to pay \$93,597 plus penalties, interest and legal fees to the courts per a judicial order in settlement for the \$140,000. In November 2021, the Company paid \$93,597 towards the settlement. There is currently \$46,403 included in accounts payable and accrued liabilities as at March 31, 2023 with respect to San Valentín for penalties, interest and legal fees.

**17. SUBSEQUENT EVENT**

Subsequent to March 31, 2023, the Company closed, in two tranches, a non-brokered private placement and issued a total of 6,686,888 units at a price of CAD \$0.27 per unit for total proceeds of CAD \$1,805,460. Each unit consisted of one common share and one-half of one transferrable common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CAD \$0.50 per common share for a period of 24 months from the date of issue. The Company paid a total of CAD \$28,524 for finders' fees and issued 105,644 finders' warrants in connection with this private placement. Each finder's warrant entitles the holder to acquire one common share at a price of CAD \$0.50 per common share for a period of 24 months from the date of issue.