

Kuya Silver Corp. Provides Update on Exploration and Development Program at Bethania Project

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And Announces Letter of Intent to Acquire Properties in the Historic Cobalt Silver Mining District

- Kuya to accelerate exploration and development program at its flagship Bethania project
- Kuya has entered into a Letter of Intent ("LOI") with [First Cobalt Corp.](#), to acquire the Kerr Project and an option to enter a joint venture to earn up to 70% of its remaining Cobalt, Ontario area claims

Vancouver, December 21, 2020 - Kuya Silver Corporation (CSE: KUYA) (OTCQB: KUYAF) (FSE: 6MR1) (the "Company" or "Kuya") is pleased to provide an update on its operational plans for the Bethania Project. Having completed the acquisition of S&L Andes Export S.A.C. ("S&L Andes", as announced on December 16, 2020), and taken legal and operational control over the Bethania Project, Kuya is planning to accelerate its activities at the project site in 2021 in order to execute its planned expansion of mining operations.

Beginning in January 2021, Kuya will commence dual exploration and mine development programs with the goal of integrating data collected from drilling campaign and other studies at site into our mine planning process.

Some of the early projects to be executed include: construction of a "phase 1" habitation facility that would be used largely for exploration and construction personnel; site preparation, including roads and platforms, for the upcoming diamond drilling program; and mine rehabilitation projects that Kuya has identified as a priority in order to upgrade safety and environmental management at site.

Over the first few months of the year, Kuya's drill program will focus mainly on near-mine resource definition, with the goal of providing additional valuable data for resource modelling and mine planning purposes, and at the same time Kuya intends to upgrade our resource model to achieve compliance with National Instrument 43-101 ("NI 43-101") reporting. The drill program will also include shallow "step-out" holes to the east and along strike of the mine where historical mining occurred.

Kuya's President and CEO, David Stein stated, "We are very pleased to have completed the closing of the acquisition of S&L Andes, and very shortly we will be resuming field activities and ramping up development of the project. Kuya's goal over the entire 2021 will be to run mine development activities and aggressive exploration in parallel. In doing so, Kuya believes it can continue to de-risk our start-up expansion case for restarting operations at Bethania, while at the same time addressing our longer-term growth objectives for the Bethania Project."

LOI With [First Cobalt Corp.](#) to Acquire Cobalt District Properties

Kuya is also pleased to announce that it has entered into an LOI with [First Cobalt Corp.](#) ("FCC" or "First Cobalt") to purchase a portion of its silver mineral exploration assets (the "Kerr Assets") in the Cobalt camp, located in Northeastern Ontario, Canada, and form a joint venture on the balance of its silver mineral assets in the camp. The transaction will allow Kuya access to explore the largest package of properties in the Cobalt camp representing more than 10,000 ha, while focusing in the near-term on the most advanced portion of the property package, where Kuya believes there is the best potential to discover and develop a silver mine.

"Whenever an opportunity like getting into a world class district such as the Cobalt camp comes along, one has to ask themselves if there is something new to try that will lead to significant discovery," commented Quinton Hennigh, Chairman of Kuya. "After careful review of historic data, we clearly see considerable

opportunity to make a new discovery at Cobalt. This camp has long suffered from fragmented, myopic exploration campaigns. We plan to change that by undertaking holistic, property wide data-gathering and drill targeting. It is a delight to take control over what is one of the highest grade silver districts on earth on the cusp of a major bull market in silver."

Kerr Assets

The Kerr Assets include eight historic silver mines on a contiguous 900-hectare area: Crown Reserve, Kerr Lake, Lawson, Drummond, Conisil, Hargrave, Silver Leaf and Bailey. These mines produced over 50 million ounces of silver and 900,000 pounds of cobalt, mainly between 1905 to 1950. The deepest shaft was less than 200 metres. Also included in the Kerr Assets is the nearby Silverfields property, which was mined by Teck until 1989 to a depth of 300 metres, producing over 17 million ounces of silver, demonstrating the depth potential to some mineralized systems.

First Cobalt drill intersections in the Kerr Assets area from their 2017-18 campaign include:

FCC-18-0058: From 29.4 m, intersected 3.6 m of 820.6 g/t Ag and 0.45% Co

FCC-18-0093: From 172.1 m, intersected 2.2 m of 515.1 g/t Ag and 0.61% Co

FCC-18-0174: From 66.0 m, intersected 2.5 m of 1441.5 g/t Ag and 0.28% Co

Key terms under the LOI are as follows:

- Kuya will pay the Company \$4 million on closing for a 100% interest in the Kerr area properties (see figure 1), comprised of \$1 million in cash and \$3 million in Kuya common shares
- Within 6 months of the acquisition of the Kerr Assets, Kuya can provide notice of intention to exercise an option to earn up to a 70% interest in First Cobalt's remaining Cobalt camp assets (the "Remaining Assets"), upon payment of \$1 million in cash or shares
- Upon exercise of the option, Kuya will be subject to the following earn-in conditions: 50% interest by incurring \$2 million in expenditures and making a payment to First Cobalt of \$300,000 in year 1; 60% interest by incurring \$1 million in expenditures and a payment of \$350,000 in year 2; and 70% interest by incurring \$1 million in expenditures and a payment of \$350,000 in year 3
- First Cobalt will spend \$1 million of the flow through proceeds it raised in August 2020 on eligible expenditures, split equally between the Kerr Assets and the Remaining Assets

Upon completion of a maiden mineral resource estimate of at least 10 million silver equivalent ounces on the Remaining Assets, Kuya will make a milestone payment to First Cobalt of \$2.5 million in cash or shares or \$5 million should the resource exceed 25 million silver equivalent ounces. With respect to the Remaining Assets, First Cobalt shall have a back-in right for any discovery of a primary cobalt deposit as well as a right of first offer to refine base metal concentrates produced at First Cobalt's refinery.

Figure 1. Bedrock geology of the Canadian Cobalt Camp properties highlighting the Kerr Assets (red box), and the Remaining Assets (orange shading) comprising the full land package, and the location of First Cobalt's refinery (red star)

To view an enhanced version of Figure 1, please visit:
https://orders.newsfilecorp.com/files/5945/70710_kuya_orig.JPG

The parties intend to complete the transaction in Q1 2021, at which point Kuya will own the Kerr Assets outright. The companies will form a 70-30 joint venture on the Remaining Assets if and when all of the conditions outlined above are satisfied. Closing of the transaction is subject to a number of conditions

precedent, including, without limitation, receipt of all required corporate and regulatory approvals and execution of a definitive agreement.

Kuya intends to plan the upcoming field program in conjunction with FCC while we complete the definitive agreement. Kuya will provide additional detail at that time.

National Instrument 43-101 Disclosure

The technical content of this news release has been reviewed and approved by Dr. Quinton Hennigh, P.Geo., Chairman of Kuya and a Qualified Person as defined by NI 43-101.

About Kuya Silver Corporation

Kuya is a Canadian-based silver-focused mining company that owns the Bethania Project, which includes the Bethania mine, located in Central Peru. The Bethania mine was in production until 2016, toll-milling its ore at various other concentrate plants in the region, the Company's plan is to implement an expansion and construct a concentrate plant at site before restarting operations. The Bethania mine produced silver-lead and zinc concentrates from the run of mine material, until being placed on care and maintenance due to market conditions and lack of working capital.

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