

Recommendation: **Buy (S)**
Target Price: **C\$2.90**

Current Price	C\$2.44	Shares Outstanding (MM)	
52 Wk High	C\$2.42	Basic	36.3
52 Wk Low	C\$0.45	Diluted	34.3
Cash (MM)	\$10.22	Mgmt.	9.3
Debt (MM)	\$0.00		
NAVPS*	C\$2.45	Market Cap.	C\$88.50
P/NAV*	1.00x	EV	\$51.33
Spot NAVPS*	C\$2.70		
Spot P/NAV	0.90x	AgEq Resource	8 MMoz
Target Return	18.9%	EV/oz AgEq	\$4.83

* Cormark deck is \$24.00/oz; spot silver is \$26.17/oz

Company Description:

Kuya Silver is restarting the high-grade Bethania silver mine in Peru, having acquired the asset from local owners. Kuya will be constructing a standalone mill (vs. toll-milling in the past) while stepping out drilling from the resource along strike and at depth. The company also recently announced that it will acquire the Cobalt Camp from First Cobalt, a past producing silver camp in NE Ontario.

Kuya Silver Corp.

(KUYA-TSXV)

Acquires Past-Producing Silver-Cobalt Camp in Ontario

Unless otherwise denoted, all figures shown in US\$

Event:

Acquiring silver exploration assets in Ontario (Cobalt Camp) from First Cobalt

Impact:

Positive

Commentary:

Kuya has entered into a LOI to acquire a portion of First Cobalt's (FCC.V) silver exploration assets in the past-producing Cobalt Camp of NE Ontario (the "Kerr Assets"), plus an option to enter a JV on the remaining land package in the camp owned by FCC (total >10,000 ha).

The Kerr Assets (the most advanced portion of the package, including 8 historic producing silver mines) will be acquired for \$4 MM on closing (\$1 MM cash and \$3 MM in shares). In addition, Kuya may exercise an option for \$1 MM to enter into an earn-in JV on the less developed/explored "Remaining Assets" (the broader land package, see Figure 1). A 70% JV interest can be acquired for a total \$4 MM in staged expenditures and total payments to FCC of \$1 MM, plus milestone payments on a maiden resource (up to \$5 MM on a >25 MMoz resource). FCC has committed to spend \$1 MM on the properties as part of the deal.

The Kerr Assets (8 past-producing mines over a 900 ha area) have produced over 75 MMoz from relatively shallow depths (typically <150 m) including ~18 MMoz from the Silverfields mine operated by Teck Resources until the mid-1980s. The Remaining Assets bring the total land-package to >10,000 ha, within a district that is said to have produced 600 MMoz silver across ~50 historic mines. FCC was the first to consolidate this camp, leading to a ~\$10 MM drilling program in 2017-2018. While the program did not identify large-scale disseminated silver/cobalt as intended, it did intersect a number of near-surface high-grade silver veins including 2.5 m @ 1,441 g/t Ag and 3.6 m @ 820 g/t Ag (plus cobalt by-product).

At Bethania, drilling and pre-construction works will begin in January, leading to a resource update in Q1/20 followed by a PEA, and commissioning of the mill by as early as late 2021.

Investment Conclusion:

The acquisition is consistent with Kuya's ambition to build a multi-asset, growth-oriented silver producer. Like at Bethania, we believe the Cobalt Camp assets have the potential to generate a small but high-grade silver mine which could serve as a springboard to better explore the surrounding land package. The deal is structured such that Kuya will receive the most advanced assets upfront, with optionality to enter and earn-into the broader JV as capital availability/exploration success dictates.

Adjusting our model for the Kerr Assets and assigning a nominal \$10 MM value to the deal (FCC previously received a much higher market value for the assets) results in an increase in our target price from C\$2.80 to C\$2.90 (based on 1.2x NAV, the peer average).

Figure 1: Cobalt Camp (“Kerr Assets” in Red Outline, “Remaining Assets” in Orange Shading)

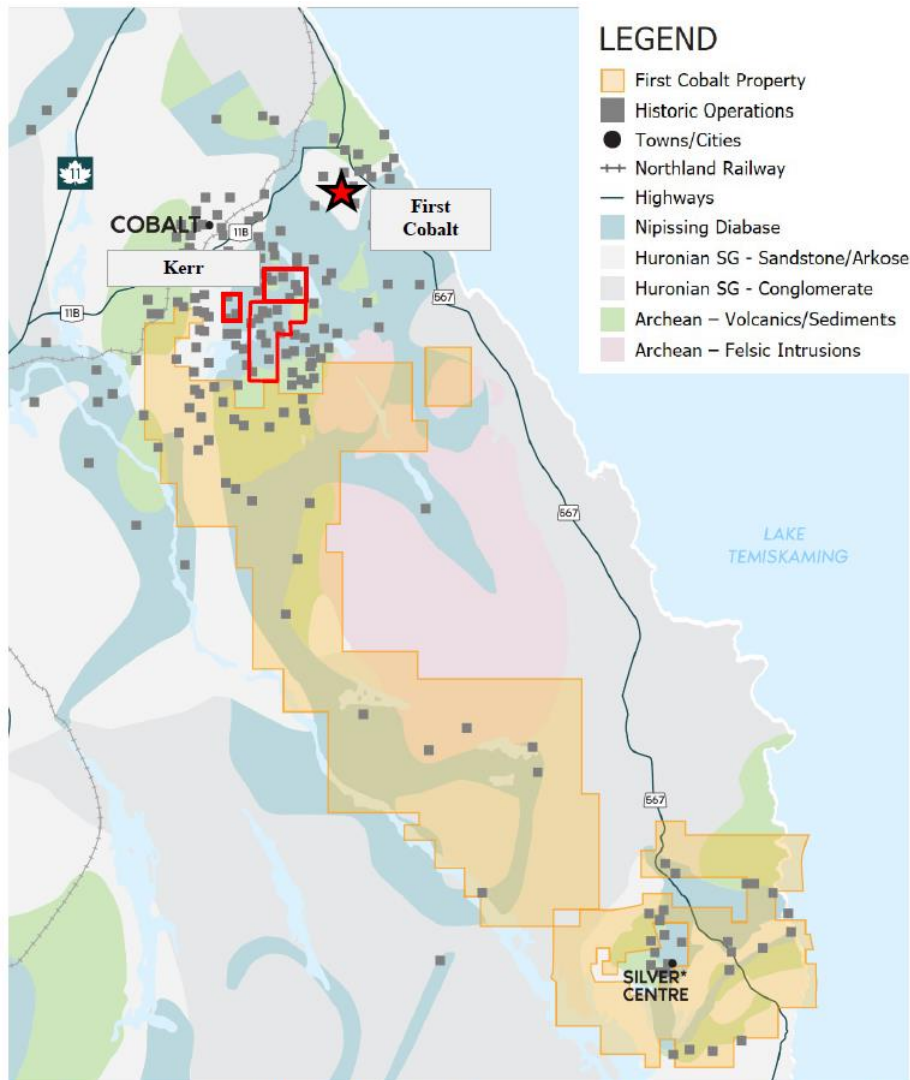


Figure 1. Bedrock geology of the Canadian Cobalt Camp properties highlighting the Kerr Assets (red box), and the Remaining Assets (orange shading) comprising the full land package, and the location of First Cobalt’s refinery (red star)

Source: Kuya Silver

Figure 2: Kerr Assets Past Production

Mine	Tonnes Milled	Production (oz Ag)	Grade (g/t Ag)	Operating Period
Silver Leaf	291	495,443	48,231	1906-1931
Hargrave	1,392	506,927	10,328	1905-1920
Crown Reserve	53,157	20,325,302	10,841	1908-1948
Drummond	55,164	3,887,585	1,997	1905-1936
Silverfields	1,200,036	17,793,862	422	1964-1983
Kerr Lake	213,645	28,502,037	3,781	1905-1948
Consil		100,446		1961-1965
Lawson		4,213,513		1905-1953
Total		75,825,115		

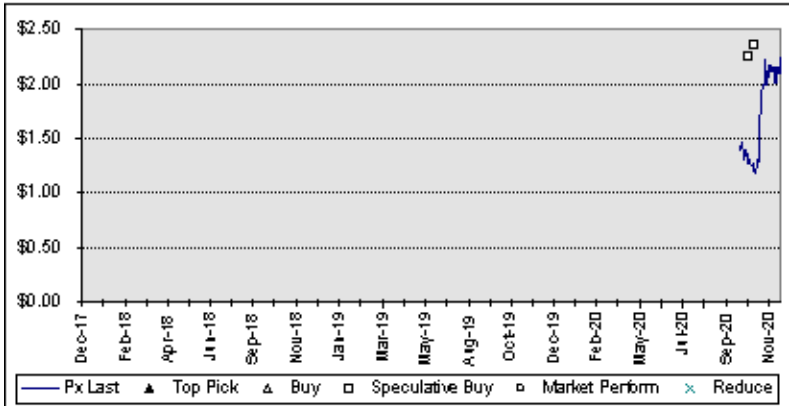
Source: First Cobalt

Kuya Silver Corp.

Updated December 21, 2020

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



Recommendation / Target Chg	Date	C\$
	17-Dec-20	2.80 (B-S)
	27-Oct-20	2.35 (B-S)
	19-Oct-20	2.25 (B-S)

*Cormark has this percentage of its universe assigned as the following:

<i>Buy or Top Pick</i>	68%
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<i>Reduce or Tender</i>	1%
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2) What type of security is it?

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Not Rated currently restricted from publishing, or our recommendation is under review

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