

ANDEAN PRECIOUS METALS (APM CN)

Bolivian silver producer with 40% FCF yield primed for growth

RECOMMENDATION: BUY

PRICE TARGET: C\$2.20

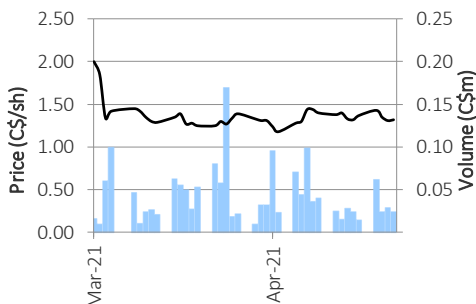
RISK RATING: HIGH

SHARE DATA	C\$1.32/sh
Shares (basic, FD)	157 / 163
52-week high/low	2.00 / 1.18
Market cap (US\$m)	US\$172m
Net cash (debt) (US\$m)	71
1.0xNAV5% @ US\$24/oz (US\$m)	218
1.0xNAV5% FD (p/sh)	C\$1.66
P/NAV (x)	0.79x
Average daily value (C\$K, 3M)	74

FINANCIALS	2021E	2022E	2023E
Silver produced (000oz)	5,712	5,712	5,712
Revenue (US\$m)	154	146	132
AISC (US\$/oz)	18	17	17
Income (US\$m)	58.9	19.3	8.8
EPS (US\$/sh)	0.28	0.15	0.11
PER (x)	3.9x	6.7x	9.3x
CFPS (US\$/sh)	0.34	0.21	0.16
P/CF (x)	3.2x	4.8x	6.0x
EBITDA (US\$m)	250.4	250.4	250.4
EV/EBITDA (x)	1.3x	0.6x	0.1x

NAV over time	2021E	2022E	2023E
1xNAV7% FD (C\$/sh)	1.64	1.77	1.78
ROI to 1xNAV (% pa)	24%	16%	10%
1.5xNAV7% FD (C\$/sh)	2.46	2.65	2.66
ROI to 1.5xNAV (% pa)	86%	42%	26%

SOTP 1xNAV5% US\$24/oz	US\$m	C\$/sh
San Bartolome NPV 1Q21E	141	1.08
Other Assets	25	0
Central SG&A & fin costs 1Q21E	(22.0)	(0.17)
Net cash + options	73.5	0.56
TOTAL	218	1.66



Source: S&P capital IQ

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Newly-listed silver producer with cash flow and growth

Andean is a cash flowing silver producer operating the San Bartolome silver oxide mill near Potosi, Bolivia. Andean acquired the operation from Coeur Mining in 2018, and listed on the TSX-V in March 2021. Backed by a strong mgmt team and board, Andean's strategy is to leverage its US\$45m/yr of FCF from San Bartolome, US\$70m of cash, and organic and M&A growth opportunities to become the next mid-tier precious metals producer.

San Bartolome's US\$45m per year FCF underpins valuation

Built by Coeur with first production in 2008, Andean's flagship asset is the San Bartolome mill, which processes (~1.6Mtpa capacity) of oxide ore from i) nearby colluvial "pallaco" deposits, ii) historic mine waste and stockpiles and iii) purchased third party ore (~30-40% of ore feed) with gold credits of ~3-5% of AgEq production. 2021 guidance is 5.8-6.1Moz AgEq at AISC of US\$17.5-19.5/oz with ~20Moz of 43-101 compliant resources, sufficient for three years of production assuming 100% own ore feed, or five years including purchased ore.

Growth and life extension to drive liquidity and valuation re-rate

We believe that Andean can drive further re-rating through mine life extension, to expand P/FCF multiples, and organic growth to drive a larger market cap and accelerate the institutionalization of the register. On the mine life extension front, we believe that the key opportunities are San Bartolome tailings project that could produce up to ~4.5Moz AgEq at spot prices for ~5 years, and additional third party ore processing. On the growth front, we believe Andean is in a strong M&A position with US\$70m of net cash and US\$45m of FCF generation.

Management team and balance sheet to expand

Andean's management and board combines the mix of operational and transaction experience and capital markets track record to achieve Andean's growth strategy. CEO Luis da Silva is an experienced TSX mining CEO while COO Simon Griffiths was previously Director of Operations during construction and commissioning of the Haile Gold Mine for Oceanagold. The board includes significant LatAm and mining experience including Chairman Alberto Morales, Kinross founder Bob Buchan and ex Neo Material CEO Peter Gundy (ex Banro, True Gold Director).

Initiate with a BUY rating and C\$2.20/sh price target

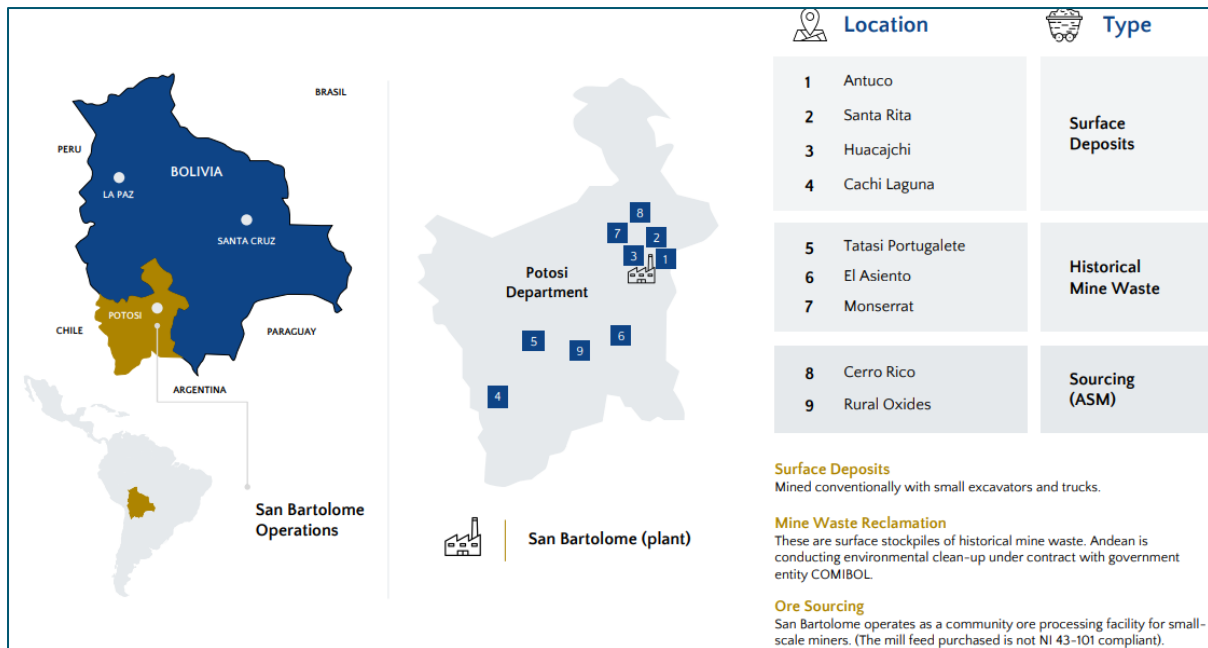
Trading at 0.8x NAV and a 42% FCF yield (net of cash) compared to the silver peer average of 1.6x NAV and 2% FCF yield respectively, we believe Andean shares offer unique value as the liquidity re-rate is occurring while in a FCF generating phase. Compared to peers, Andean's valuation is backed by cashflow and we believe that growth and mine life extensions will accelerate the liquidity re-rate, with potential to generate excellent returns for early shareholders. We initiate with a BUY rating and C\$2.20/sh price target based on 1.3x NAV_{5%-24/oz}, equivalent to 1.1x NAV_{5%-spot}.

Investment case

Cash flowing silver producer offers value and growth opportunity

Andean owns and operates the San Bartolome oxide CIL mill in the historic Cerro Rico-Potosi mining camp of Bolivia's Altiplano region. Coeur Mining built the San Bartolome mill in 2008 to process silver oxide ores from colluvial sources (San Bartolome) as well as historical tailings (Tatasi-Portugalete and El Asiento mine dumps) that could not be processed by existing sulphide flotation mills due to ore oxidation. In 2018, Ag-Mining investments acquired the assets from Coeur for a 2% NSR (since repurchased for US\$4.5m) and US\$28m in cash. San Bartolome produced over 68Moz from 2008-2020 and contributed to environmental clean-up of legacy mine sites.

Figure 1 Location map



Source: Andean Precious Metals

Experienced management team to support growth story

CEO Luis da Silva is an experienced public mining company CEO including his most recent role as CEO of GB Minerals until its 2018 acquisition by Castlake and Itafos. Executive Chairman and founder Alberto Morales is an experienced corporate finance, M&A and restructuring professional and brings significant deal making experience in Latin America and North America. COO Simon Griffiths is an experienced mining engineer and was Director of Operations at the Haile Mine for OceanaGold, as well as prior roles at Newcrest Mining and Solid Energy. The board includes Bob Buchan, the founder and former Chairman of Kinross, and Peter Gundy, former CEO at Neo Material Technologies and an experienced mining director including at Banro, True Gold and Clifton Star.

Figure 2: San Bartolome history

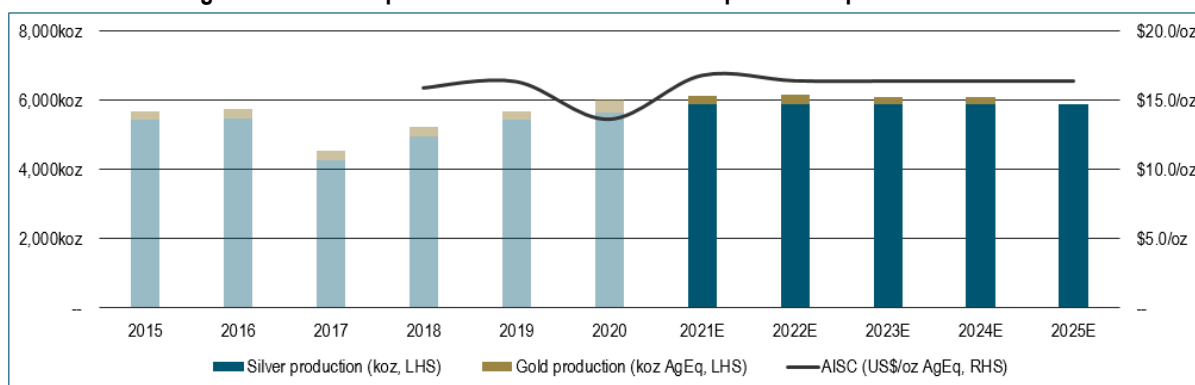


Source: Andean Precious Metals

Valuation underpinned by San Bartolome: 6Mozpa at US\$17.50/oz AISC generates US\$35-45m/yr FCF

San Bartolome is the foundation of the company, with guidance of 5.8-6.1Moz AgEq at AISC of US\$17.5-19.5/oz AgEq for 2021. We estimate that at spot (US\$28/oz), the operation should generate ~US\$45-50m of FCF for 2021 and ~US\$30-35m per year for the remaining life of mine, which extends through 2023 on compliant resources. We model mine life though 2025, assuming 30-40% of ore feed is purchased from third party sources, in line with averages for the past five years. This generates average annual production of 5.9Moz AgEq at AISC of US\$17.40/oz and average annual free cash flow of US\$38m per year at spot, or ~36% of Andean's current EV.

Figure 3: Historical production 2015-2020 and SCPe production profile 2021-2025E

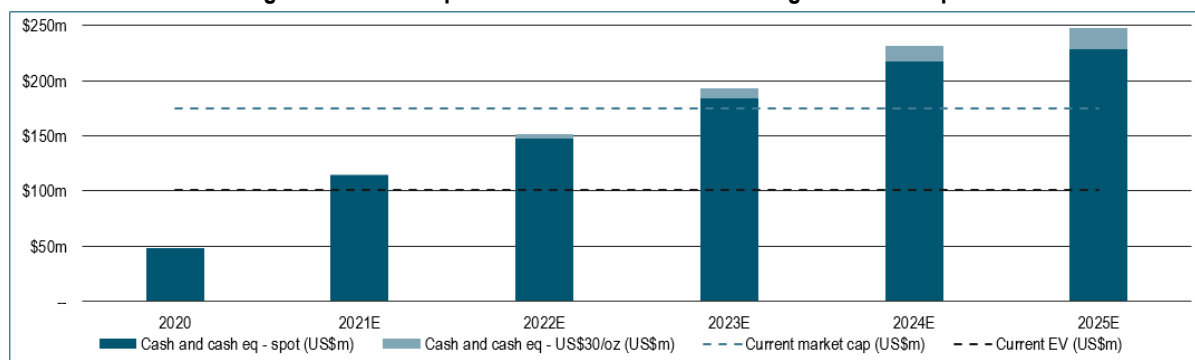


Source: SCPe, historical production from Andean Precious Metals and Coeur Mining

Cash build alone sees 31% appreciation on current EV at spot prices by 2025

With US\$71m of cash on hand at present, Andean is trading at an EV of just US\$101m or roughly 2.0x the current SCPe annualized spot cash flow run rate. At spot, we forecast a cash build to US\$193m by the end of 2023 and US\$248m, by 2025, achieving 31% uplift on the current market cap in cash build alone by 2023. We think reinvestment risk is low given the proven management team, opportunities to extend mine life through own San Bartolome tailings reprocessing (more on this later), potential to treat additional third party ore and government mandated tailings stockpiles and an existing plant with a strong operational track record. Upside to an increase in silver prices is significant; we forecast that at a silver price of US\$30/oz, cash on hand builds to 142% of the current market cap by the end of our modelled base case mine plan in 2025E.

Figure 4: Market cap and EV vs SCPe forward looking net cash at spot



Source: SCPe, Andean Precious Metals

Our mine plan assumptions are well supported by the current resource base of ~20Moz, net of last year's depletion. Historically, mine feed has been ~30—40% third party ore, giving a life of mine of ~3.5 years on own resources only or 5.0-5.5 years based on additional third party ore.

Figure 5: Reserves and resources as at 28 February 2020

Deposit	Own %	2P Reserves			M&I Resources			Inferred Resources			Total		
		Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)	Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)	Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)	Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)
San Bartolome	100%	3,374	109	12,216	4,411	109	15,437	1,317	109	4,615	5,728	109	20,052
Tatasi-Porugalete	100%	237	342	2,602	262	323	2,721	16	272	140	278	320	2,861
El Asiento	100%	272	218	1,908	272	220	1,924	87	228	637	359	222	2,561
Cachi Laguna	100%	65	406	847	71	383	875				71	383	875
Total	100%	3,948	138	17,573	5,016	130	20,957	1,420	118	5,392	6,436	127	26,349

Source: Andean; R&R as at 28 February 2020

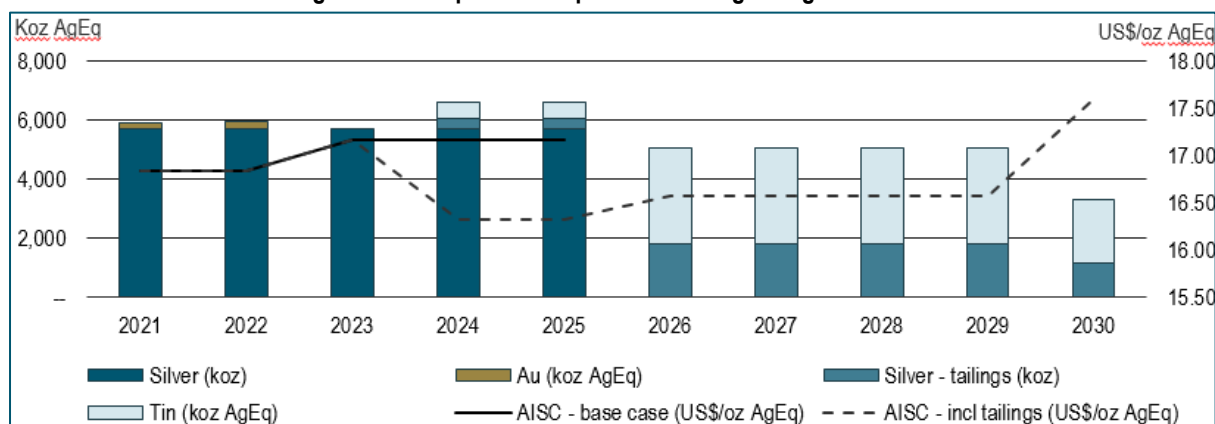
Tailings option provides growth opportunity to produce an additional 4.5Moz AgEq for 5 years

San Bartolome has 10Mt of tailings grading in the order of ~40g/t Ag and ~0.25% Sn that could be re-mined using hydromining or auger dredging. Andean plans to publish a NI 43-101-compliant resource estimate in Q4 and scoping study in 1H22 on the feasibility of mining and processing this material.

Potential impact: Assuming US\$50m of capex to add a gravity circuit for tin recovery, and increase capacity to 2.0Mt (including tailings) in 2024 with two years of 300ktpa production and 4.5 years of 2.0Mtpa tailings only processing from 2025, we estimate that this material could add ~1.8Moz and ~2.4Mt of tin (~2.6Moz AgEq at spot prices) of annual production to the back end of the mine life at AISC of ~US\$16.60/oz assuming mining costs of ~US\$1.50/t, and total processing and G&A costs of US\$42m per year. Further met tests for recovery and concentrate grade are required but for now we assume 70% silver and 30% tin recovery. Assuming 90% tin concentrate payability and US\$2000/t TCRCs, and US\$50m of capex, this would **add US\$90m to our NPV_{5%-spot}** and generate **IRR of 32%** on invested capital. We estimate that the project generates an IRR above 20% down to a tin price of US\$22,500/t, assuming the payability, operating cost and capex assumptions above. For now, we do not include the tailings opportunity in our base case valuation therefore **upside is incremental to our valuation**.

Next Steps: Include sonic drilling to confirm grade, confirmatory met test work, flow sheet design and detailed costing with a scoping study in 1H22. Circuit upgrades are likely to include a tin gravity concentration circuit but the majority of the circuit should remain as is.

Figure 6: SCPe production profile including tailings scenario



Source: SCPe

Gold exploration assets in portfolio for free, will see first major exploration programme in 2021

As a cash flowing producer actively seeking growth, we believe Andean has a significant early mover advantage in relatively under-explored Bolivia. Moreover, Andean's role in cleaning up historic mine dumps is of environmental benefit and is encouraged by the Government, which puts Andean in good standing for permitting new projects. In addition to the producing silver assets, Andean has two drill-ready gold exploration totalling 4,395 Ha located 90km southwest and 117km south of Potosi, respectively. The orogenic La Joya belt hosts multiple deposits include Kori Kollo (former Newmont mine that produced 5.5Moz 2009) and San Bernardino (2.3Moz) **San Pablo** is an intrusive Au-Sb style target located 90km SW of Potosi and Andean plans to drill 10,000m in 2021 following up high grade surface grades of up to 15.95g/t in samples. The target is interpreted to be an overturned anticline with an intrusive close to the axial plane, and the same host rocks as Kori Kollo **Rio Blanco**, located 117km south of Potosi, has seen trenching results that include **2m @ 10g/t, 17m @ 2.2g/t and 9m @ 3.7g/t**. The plan for 2021 includes mapping, IP and geophysics to delineate drill targets. The target is a Bendigo style target along a NW-SE trending 22km system with a powerline within 15km.

Trading at a significant discount to peers

Simply put, Andean is trading at outlier multiples relative to the silver peer group, on a whopping 44% FCF yield compared the peer group average of 1-2% on a mean or weighted average basis, respectively. On P/NAV, Andean is similarly discounted at 0.8x NAV vs the peer weighted average of 1.6x. We see two takeaways from the peer ranges. First is that Andean offers significant upside to peer valuations and we think this makes the stock attractive in the fast moving silver producer space. Secondly, the market appears to be applying a steep discount for implied reserve conversion/reinvestment risk, which we believe is an opportunity in the context of Andean's organic growth and M&A opportunities and the quality of its management team.

Figure 7: Producer peer comps

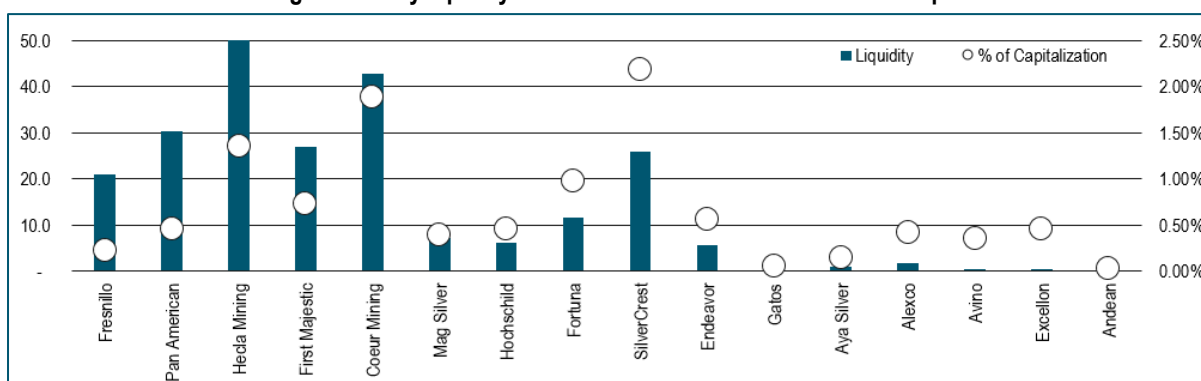
Ticker	Market Cap	EV	NAVPS	P/NAV	EV/EBITDA		EV/Revenue		FCF yield		EV/oz			
					2021e	2022e	2021e	2022e	2021e	2022e	2P	M&I	M&I	
	US\$m	US\$m	US\$/sh	(X)	(X)	(X)	(X)	(X)	(X)	%	%	US\$/oz	US\$/oz	US\$/oz
Fresnillo	LSE:FRES	9,191	9,425	9.12	1.4x	6.4x	5.4x	3.3x	3.0x	5%	9%	\$7.6	\$2.6	\$1.6
Pan American	TSX:PAAS	7,129	6,893	21.30	1.6x	9.5x	6.1x	3.9x	3.1x	3%	10%	\$1.9	\$1.5	\$0.8
Hecla Mining	NYSE:HL	4,690	5,086	3.84	2.3x	15.0x	11.7x	6.1x	5.6x	3%	5%	\$10.3	\$7.7	\$2.5
First Majestic	TSX:FR	4,088	3,996	6.26	2.8x	15.3x	9.4x	7.2x	5.3x	1%	5%	\$38.6	\$17.7	\$8.8
Coeur Mining	NYSE:CDE	2,434	2,684	8.06	1.2x	nfmf	9.0x	3.1x	3.0x	(5%)	(3%)	\$5.4	\$2.7	\$2.0
Mag Silver	TSX:MAG	1,934	1,827	15.18	1.3x	nm	12.1x	nm	4.0x	(2%)	7%	--	\$13.2	\$7.7
Hochschild	LSE:HOC	1,411	1,469	2.57	1.1x	3.4x	3.3x	1.8x	1.8x	8%	13%	\$15.1	\$1.6	\$1.2
Fortuna	TSX:FVI	1,275	1,302	5.31	1.3x	3.3x	3.2x	1.8x	2.0x	11%	13%	\$8.5	\$6.5	\$4.4
SilverCrest	TSX:SIL	1,284	1,158	10.58	0.9x	nfmf	nfmf	--	17.9x	(13%)	(4%)	--	\$11.9	\$9.4
Endeavor	TSX:EDR	1,168	1,076	4.34	1.6x	18.1x	12.1x	6.4x	5.2x	1%	(2%)	\$13.3	\$8.5	\$5.1
Gatos	TSX:GATO	993	1,031	--	n/a	12.8x	6.2x	8.4x	5.8x	4%	14%	\$8.1	\$7.8	\$5.6
Aya Silver	TSX:AYA	674	615	4.76	1.3x	nfmf	37.7x	21.2x	14.8x	(0%)	(1%)	--	\$7.1	\$3.1
Alexco	TSX:AXU	444	427	2.60	1.1x	--	--	5.6x	3.5x	--	--	\$10.9	\$3.6	\$2.8
Avino	TSX:ASM	140	113	1.67	0.8x	14.6x	8.2x	3.8x	1.9x	--	--	--	\$1.1	\$0.9
Excellon	TSX:EXN	106	106	6.72	0.5x	--	25.5x	--	--	5%	10%	--	\$1.0	\$0.6
Andean	TSXV:APM	183	112	1.36	0.8x	2.1x	2.4x	0.7x	0.8x	44%	26%	--	\$5.3	\$4.2
Mean					1.4x	10.9x	11.5x	6.0x	5.5x	1%	5%	\$8.0	\$6.3	\$3.8
Weighted Average					1.6x	9.3x	7.0x	4.2x	3.6x	2%	7%	\$5.1	\$3.0	\$1.8
Average excluding high and low					1.3x	11.0x	9.9x	5.0x	4.8x	2%	5%	\$6.2	\$5.8	\$3.6
Median					1.3x	12.8x	9.0x	4.7x	3.8x	1%	5%	\$7.6	\$6.5	\$2.8

Sources: Market data from S&P Capital IQ, company disclosure, SCPE for Andean and Aya

Track record and growth should enable Andean to achieve re-rate on greater liquidity.

In addition to mine life, we believe that Andean is a prime candidate to benefit from a liquidity re-rate. **First: we expect liquidity to improve with time and market education.** The silver peer group trades weighted average daily liquidity of 0.7% of market cap. As a newcomer to the space, Andean is trading <0.1% of its market cap, which we expect to re-rate upwards with greater market awareness. On average the sector trades US\$0.27 of daily volume per \$ of FCF, which suggests Andean should could trade as much as US\$12m/day based on annual FCF, and even discounting this metric, we expect to see liquidity climb well above US\$1m/day. **Second, liquidity appears to correlate with trading multiples.** The peers which trade more than US\$1m of stock per day trade at or above 1x NAV, averaging 1.6x. **Third, we believe that Andean has the assets and management to drive a re-rate: The two levers are growth and mine life extension.** On growth, Andean has US\$70m of cash and US\$45/yr of FCF to pursue opportunities. On mine life extension, the San Bartolome tailings project, additional third party ore and additional historical tailings all represent opportunities to extend mine life and broaden P/FCF multiples, which should then catalyze a liquidity re-rate.

Figure 8: Daily liquidity in USD millions and as a % of market cap



Source: Bloomberg

Valuation

We value Andean using a discounted cash flow methodology using a 5% discount rate and US\$24/oz silver price, in line with our metrics for other silver producers and developers. We model an inventory of 5.8Mt at 110g/t Ag, supplanted by 2.5Mt at 165g/t of purchased ore, generating life of mine production of 28.6Moz Ag at AISC of US\$16.50/oz at asset level and US\$17.4/oz at group level. This generates a project NPV_{5%-24/oz} of US\$141m. To this we subtract US\$22m for central costs and G&A (SCPe US\$5.25m per year at steady state production, plus US\$2m/year of exploration for the next two years). We add US\$71m for net cash and US\$2m for ITM options, and add US\$25m for exploration. This generates a total NAV of US\$201m on a fully diluted share count of 159.8m shares, or C\$1.70/sh.

Initiate with BUY rating and C\$2.20/sh price target based on 1.3x NAV_{5%-24}

We initiate with a BUY rating and C\$2.20/sh price target based on 1.3x NAV_{5%-24/oz}. This multiple is at a slight discount to the producer peer average, which we expect to close as the liquidity gap narrows. Stepping back, the market is clearly willing to pay a premium for silver producers and there is a huge re-rating opportunity for Andean given its ~40% FCF yield on EV, ~US\$70m of net cash and its early mover opportunity in Bolivia. Moreover, we believe that the company has the management, board and balance sheet to become a multi asset growth story, while there are levers to extend San Bartolome mine life through ore purchasing, and surface tailings reprocessing. The current valuation is conservative, underpinned by cash generation in the next three years, thus we believe Andean is an excellent risk/reward play that should develop an increasing investor following as investors gain awareness of the company.

Risks

Geological: We view this risk as moderate. San Bartolome is processing colluvial deposits and historical mine waste and stockpiles which pose different estimation challenges to traditional hard rock orebodies but less risk in terms of grade estimate and dilution.

Mining: We view this risk as low given that mining operations are free digging with no drill and blast.

Processing/Metallurgy: We view this risk as low given oxide mineralisation and more than ten years of processing history at San Bartolome.

Infrastructure: We view this risk as low as San Bartolome operates on grid power. Ore trucking routes to the plant from the various deposits are established and do not rely on further infrastructure developments.

Environmental: We view this risk as in low. By processing historical tailings, San Bartolome is actually providing an environmental service.

Social: We view this risk as moderate. Potosi has a long mining history is an embedded part of the regional economy. The main social considerations in our view are i) labour negotiations, which can be more contentious in South America than the US, Canada, Australia or West Africa, and ii) sensitivities around indigenous and local communities. However, we feel that these risks are mitigated by the asset's 13-year long operating history. The company contributes >US\$60m+ per year in wages and procurement, making it an important contributor to the regional (Potosi) and Bolivian economy.

Political: We view this risk as moderate. The current Government is headed by the Socialist Party which is a leftist party, however the party has held power since 2006 and has overseen foreign investment and mine builds in country, including San Bartolome in 2018.

Why we like Andean

1. 40% FCF yield is anomalously high relative to peers
2. Proven operating history at San Bartolome de-risks operating component of cash flow forecasts
3. Strong management team and balance sheet with capacity to build a multi-asset producer
4. Able to benefit from size / trading liquidity re-rate

Catalysts

- 2021: Production results, SCPe 6.1Moz AgEq at US\$17.73/oz AISC
- 1H22: PEA on tailings reprocessing opportunity
- Ongoing: M&A opportunity review

Figure 9: Summary of SCPe estimates

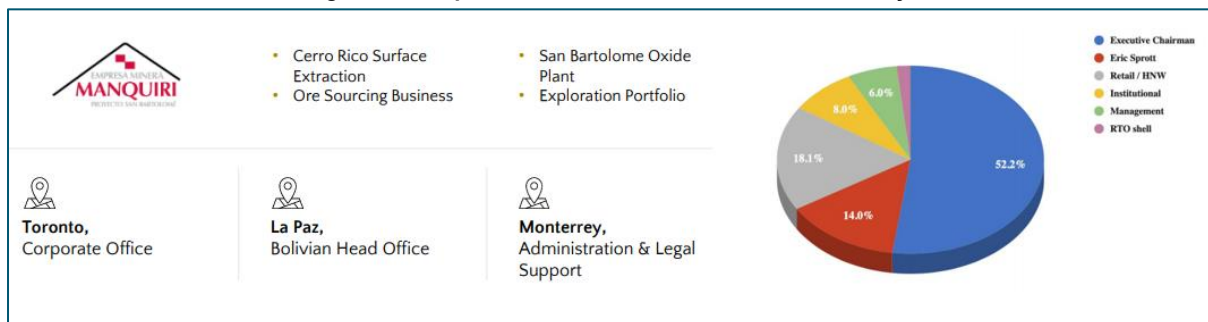
Ticker: APM CN Chan / B Gaspar	Price / mkt cap: CS1.32/sh, CS208m Rec / PT: BUY / CS2.20	Market P/NAV: 0.78x 1xNAV₂₀₂₀ FD: CS1.70/sh	Assets: San Bartolome Country: Bolivia		
Group-level SOTP valuation		Share data			
San Bartolome NPV 1Q21E	141	100%	1.0x		
Central SG&A & fin costs 1Q21E	(22)	-	1.0x		
Exploration	25	-	1.0x		
Cash and restr. cash 4Q20	71	-	1.0x		
Debt 4Q20	0	-	1.0x		
ITM options	2	-	1.0x		
1xNAV5% US\$24/oz	218		1.70		
Target multiples	Multiple		CS/sh		
Target P/NAV Multiple	1.30x		2.20		
Target price			2.20		
Sensitivity to silver price and discount / NAV multiple					
1xNAV San Bartolome (US\$m)	\$20oz	\$24oz	Spot: \$28oz	\$30oz	\$35oz
7% discount	103	138	174	191	235
5% discount	104	141	179	197	243
3% discount	106	144	184	203	251
Valuation (CS/sh)	\$20oz	\$24oz	Spot: \$28oz	\$30oz	\$35oz
1.00xNAV	1.38	1.66	1.95	2.09	2.44
1.25xNAV	1.73	2.08	2.44	2.61	3.05
1.50xNAV	2.07	2.50	2.93	3.13	3.66
2025E net cash (US\$m)	\$20oz	\$24oz	Spot: \$28oz	\$30oz	\$35oz
-10% change in opex	169	211	253	273	325
0% change in opex	146	187	228	248	299
10% change in opex	123	163	204	223	273
Valuation over time					
Mines NPV (US\$m)	141	90	65	47	28
Centrl G&A & fin costs (US\$m)	(25)	(17)	(15)	(12)	(7)
Net cash at 1Q (US\$m)	71	130	155	177	177
Other Assets + Options	27	27	27	27	27
1xNAV (US\$m)	214	231	232	240	225
P/NAV (x):	0.79x	0.73x	0.73x	0.70x	0.75x
1xNAV share px FD (CS/sh)	1.67	1.81	1.82	1.88	1.76
ROI to equity holder (% pa)	27%	17%	11%	9%	6%
1.5xNAV share px FD (CS/sh)	2.51	2.71	2.73	2.82	2.64
ROI to equity holder (% pa)	90%	43%	27%	21%	15%
Resource / Reserve					
Measured, ind. & inf. - Andean	4.92	23.1		4.4	4.4
SCPe Mine inventory	8.25	33.6		3.0	3.0
Production (100%)					
San Bartolome (000oz Ag)	5,712	5,712	5,712	5,712	5,712
San Bartolome (000oz Au)	3.0	3.0	-	-	-
San Bartolome (000oz AgEq)	5,916	5,929	5,712	5,712	5,712
San Bartolome cash cost (US\$/oz AgEq)	13.37	13.14	13.39	13.39	13.39
San Bartolome AISC (US\$/oz AgEq)	16.32	15.00	16.80	16.42	16.43
Group (000oz Ag)	5,712	5,712	5,712	5,712	5,712
Group (000oz AgEq)	5,916	5,929	5,712	5,712	5,712
Group cash cost (US\$/oz)	16.04	15.67	15.76	15.76	15.76
Group AISC (US\$/oz)	17.60	17.22	17.35	17.35	17.35
CI = opex (excl. G&A) + royalties; AISC = CI + sust capex + capitalized stripping/development					
Income statement					
Revenue (US\$m)	154	146	132	132	132
COGS (US\$m)	(95)	(93)	(90)	(90)	(90)
Gross profit (US\$m)	59	53	42	42	42
Expenses (US\$m)	-	(19)	(23)	(19)	(15)
Impairment & other (US\$m)	-	-	-	-	-
Net finance costs (US\$m)	-	-	-	-	-
Tax (US\$m)	-	(14.0)	(10.7)	(10.7)	(10.7)
Minority interest (US\$m)	-	-	-	-	-
Net income attr. (US\$m)	58.9	19.3	8.8	12.9	16.5
EBITDA					
EBITDA	44.0	23.8	16.8	16.8	16.8
Cash flow					
Profit/(loss) after tax (US\$m)	44	24	17	17	17
Add non-cash items (US\$m)	10	10	9	9	9
Less wkg cap / other (US\$m)	(4)	0	0	0	(0)
Cash flow ops (US\$m)	49	34	26	26	26
PP&E (US\$m)	(4)	(4)	(4)	(4)	(4)
Other (US\$m)	-	-	-	-	(23)
Cash flow inv. (US\$m)	(6)	(6)	(4)	(4)	(26)
Debt draw (repayment) (US\$m)	-	-	-	-	-
Equity issuance (US\$m)	20.2	-	2.4	-	-
Other (US\$m)	-	-	-	-	-
Cash flow fin. (US\$m)	20.2	-	2.4	-	-
Net change post forex (US\$m)	64	28	25	22	(0)
Balance sheet					
Cash (US\$m)	112	140	165	187	187
Accounts receivable (US\$m)	8	8	7	7	7
Inventories (US\$m)	9	9	9	9	9
PPE & exploration (US\$m)	24	23	17	12	29
Other (US\$m)	31	31	31	31	31
Total assets (US\$m)	185	210	229	246	263
Debt (US\$m)	0	0	0	0	0
Other liabilities (US\$m)	44	44	43	44	44
Shareholders equity (US\$m)	20	20	23	23	23
Retained earnings (US\$m)	118	142	159	176	193
Minority int. & other (US\$m)	-	-	-	-	-
Liabilities+equity (US\$m)	183	206	225	242	259

Source: SCPe

Corporate and Financial Summary

Share structure: Andean has 157.3m shares outstanding with 2.3m options at C\$1.15/sh (C\$2.91m), 0.2m options at C\$1.50/sh. As the balance sheet is net cash and there are no clear development capital needs, we do not model any further equity raises at this time. We therefore use a fully diluted share count of 159.8m shares. There are a further 3.6m restricted share units pending exchange approval contingent on achievement of operational milestones. There are no warrants outstanding and we believe the option/warrant position is a smaller overhang than is typical for a company of this size.

Figure 10: Corporate Structure and Shareholder Summary



Source: Andean Precious Metals

Corporate structure and ownership: The Bolivian assets are owned by a Bolivian operating company, Empresa Minera Manquiri (“Manquiri”), which is 100% owned by Andean.

Government and stakeholders:

Ownership: The Bolivian state owns the mining rights to most of the ore processed at Andean’s San Bartolome through the state-owned mining company, COMIBOL. The mining rights are worked under legally binding sublease agreements.

Permitting: All permits needed for current production are in place.

Taxes: The applicable profit tax rate is 32.5% comprising a 25% corporate tax rate and 7.5% special mining tax. At current prices, we expect pre-existing tax losses to be used up in 2021 and we model profit taxes from 1Q22. A 25% surtax applies after allowable deductions for accumulated investments in exploration, process facilities and environmental costs but after allowances, Manquiri has not been subject to the surtax and we have not modelled it. Remittances are not subject to withholding tax.

Royalties: The San Bartolome pallacos are subject to a 4% COMIBOL NSR while the El Asiento and Tatasi-Portugalete tailings are subject to a 5% NSR; Cachi Laguna is not subject to a COMIBOL NSR. All production is subject to a 6% government net revenue royalty.

Balance sheet: Following its February 2021 equity raising, Andean had 71m of cash, restricted cash, and marketable securities and no debt for net cash of US\$71m. We estimate US\$45.5m of free cash flow in 2021 at US\$24/oz, and US\$129m through the end of our modelled San Bartolome mine life in 2025, rising to US\$179m at spot. With no significant capex programmes planned, this leaves the cash on balance sheet and future cashflows available for acquisitions and growth initiatives.

Cash flow and profitability: We estimate a LOM EBITDA margin of 28% at US\$24/oz. Per share return metrics are excellent due to current low entry price. We estimate a 44% FCF yield in 2021 and averaging 18% through the remaining life of mine at US\$24/oz and 28% at spot, to add to 41% of the current market cap in net cash at the start of the year. Likewise, we estimate a strong average return on capital employed (ROCE) of 21% through the remaining life of mine.

M&A strategy: The company has been open about its willingness to pursue value accretive M&A opportunities, with a particular focus on silver or gold in the Americas. As of May 2021 the company noted that it has signed 5 NDAs and is active in project and corporate level due diligence.

San Bartolome (Andean 100%)

The San Bartolome processing plant was built by Coeur Mining in 2008. The 1.6Mtpa plant processes ore from free digging surface oxides, old mine stockpiles and tailings, and third party ore. San Bartolome is located 3km south of the City of Potosi (pop 175k) in the Cordillera Oriental, east of the Altiplano in Southern Bolivia. Colonial mining began in the 1545 at the famous Cerro Rico (“rich hill”) and continued to the modern era, with 60kt (1,929Moz) produced by 1996. The other sources of feed are Cachi Laguna (in-situ epithermal orebody) and the Tatasi-Portugalete and El Asiento tailings dumps, which are owned by COMIBOL (state mining company) and leased to Andean for removal and processing. Since 2008, 64Moz of silver has been produced at the San Bartolome plant.

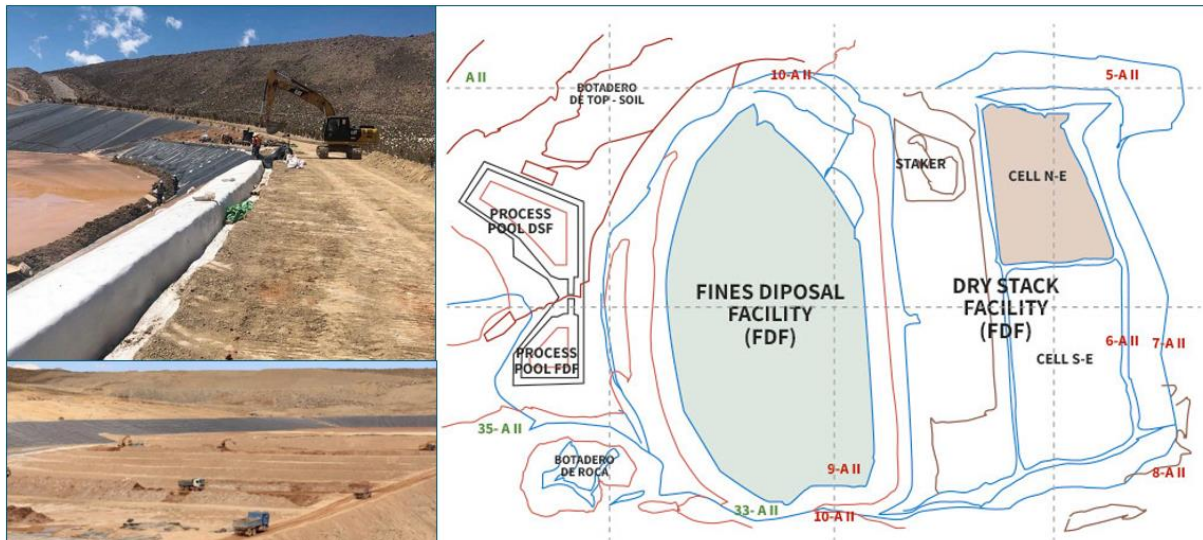
Figure 11: (A) Map of asset locations within Potosi Department; (B) San Bartolome processing plant



Source: Andean Precious Metals

Infrastructure and site access: The San Bartolome plant is accessible by paved road and is located to the south of Potosi. San Bartolome runs on grid power via a 69kv power line serviced by regional utility SEPSA based in Potosi. The city of Potosi itself is accessible by paved road with daily flights to La Paz. The constitutional capital of Sucre is 129km away via paved Highway 5. Operations take place year round and water access is generally not a concern. Elevation ranges from 3,900-4,100 metres with moderate relief. Tailings are a mix of dry stack from the main processing circuit and wet tailings which are generally fines from the pre-washing process, which present an opportunity for reprocessing. US\$15m of sustaining capital has been budgeted to provide 5-years of LOM capacity for tailings. The TSF was designed by Fluor Daniels and are inspected by Knight Piesold, both world leaders in tailings management. US\$15m is budgeted over the remaining life of mine for tailings increases or ~US\$3m/year.

Figure 12: (A) Tailings facility maintained in good order; (B) TSF plans

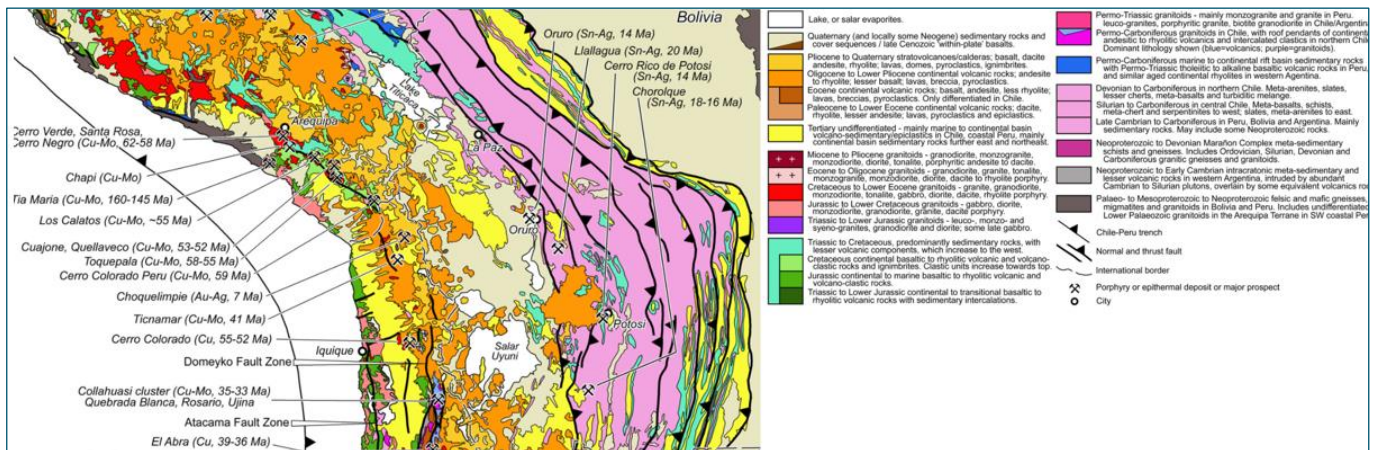


Source: Andean Precious Metals

Geology

Cerro Rico is located in the Cordillera Oriental geological province of Bolivia in the Andean tin-tungsten-silver belt that extends from the Peruvian border to the North to ~2,000km south to SW Bolivia and into NW Argentina. The Cordillera is a bended arc of parallel mountain ranges formed of granitic to granodioritic plutons. To the east is the elevated sedimentary plateau of the Altiplano. Mineralization at Cerro Rico is hosted in the Miocene-aged quartz-feldspar porphyritic Cerro Rico stock, underlain by the older Miocene Kari porphyry of garnet-bearing dioritic composition. Cerro Rico silver mineralization is high sulphidation epithermal in character, composed of veins, stockworks, hydrothermal breccias and irregular bodies hosted in a highly altered resurgent dome of a dacitic to rhyodacitic porphyritic intrusion.

Figure 13: (A) Regional geology of the Central Andes

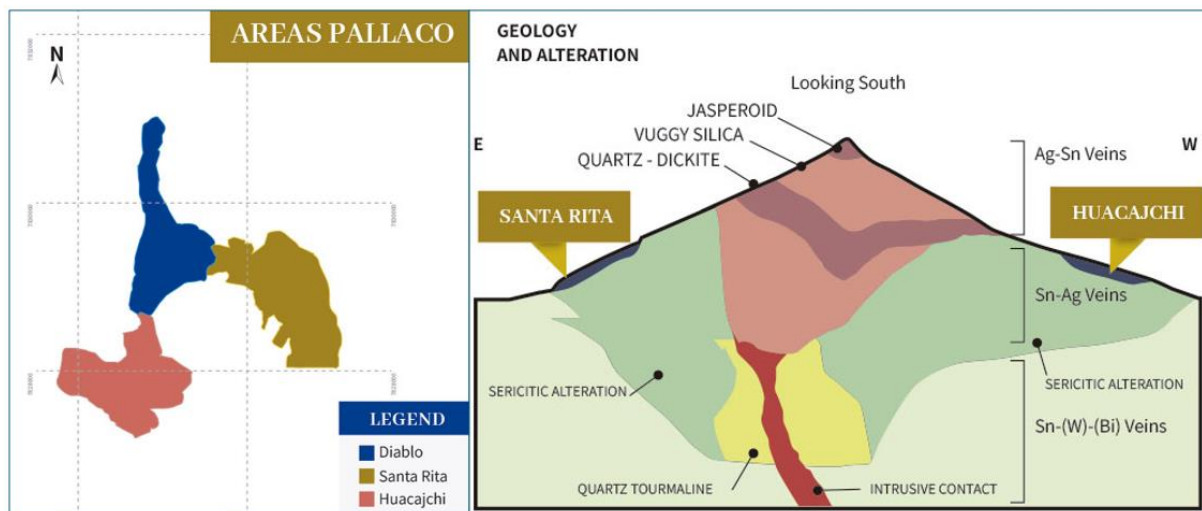


Source: PorterGeo Database

Ore sources:

San Bartolome is composed of colluvial surficial accumulations, known as pallacos, of silver and tin bearing material derived from erosion of Cerro Rico and accumulated in downslope depressions, gullies and low gradient areas. There are three pallacos currently in resource: Santa Rita, Huacajchi, and Diablo (also referred to as Antuco).

Figure 14: (A) Map of Cerro Rico pallacos; (B) Cross Section of Cerro Rico



Source: Andean Precious Metals

Asiento and Tatasi-Portugalete are man-made tailings dumps adjacent to underground mining portals of historic and current adits. Cachi Laguna is an in-situ Ag-Au mineral deposit of high sulphidation epithermal type. The historical tailings processing is highly encouraged by the Bolivian Government, as it advances environmental clean-up of legacy third-party operations, leaving the sites in better condition than if left untreated.

Reserves and Resources:

All block modes were considered fully diluted and reserve estimates did not consider any additional allowance for dilution and mine losses due to the nature of the deposits and flat distribution of tonnes and grades. A US\$17/oz silver price was used to cut off the resource and inferred resources were treated as waste in the reserve estimate. Ordinary kriging was used to interpolate grades and resources are constrained using whittle pits.

Figure 15: Reserves and resources as at 30 March 2020

Deposit	Own %	2P Reserves			M&I Resources			Inferred Resources			Total		
		Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)	Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)	Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)	Tonnes (kt)	Grade (g/t Ag)	Contained (koz Ag)
San Bartolome	100%	3,374	109	12,216	4,411	109	15,437	1,317	109	4,615	5,728	109	20,052
Tatasi-Portugalete	100%	237	342	2,602	262	323	2,721	16	272	140	278	320	2,861
El Asiento	100%	272	218	1,908	272	220	1,924	87	228	637	359	222	2,561
Cachi Laguna	100%	65	406	847	71	383	875				71	383	875
Total	100%	3,948	138	17,573	5,016	130	20,957	1,420	118	5,392	6,436	127	26,349

Source: Andean; R&R as at 28 February 2020

Mining and processing

All mining operations are free digging and do not require drilling and blasting. The mine plan includes 20kt per month from each of El Asiento and Tatasi-Portugalete and the remainder from Pallacos for a total of 130.4kt per month. **San Bartolome:** The pallacos range in thickness from <1m to nearly 75m and grade from coarse, broken rock on the upper slopes into a mix of coarse rock fragments to more fine-grained material downslope. Pit designs include maximum batter angle of 50 degrees with 5m bench high, 6m road width and 10% maximum haul road grade. Haulage is done by 28t haul trucks. Haul distances are ten to twenty km from the plant, US\$0.89-1.79/t has been budgeted in the tech report for haulage.

Figure 16: Pallacos mining operations showing Cerro Rico in the background



Source: Andean Precious Metals

Tatasi-Portugalete / El Asiento: Tatasi Portugalete and El Asiento are tailings dumps located ~360km and 220km, respectively from the processing plant. Mineralised material is excavated, loaded and hauled by road at an average head grade of ~230g/t and up. Budgeted mining costs are ~US\$3.7/t for Tatasi-Portugalete and ~US\$3.20/t for El Asiento and estimated haulage costs are ~US\$13.5/t from El Asiento and ~US\$29/t from Tatasi.

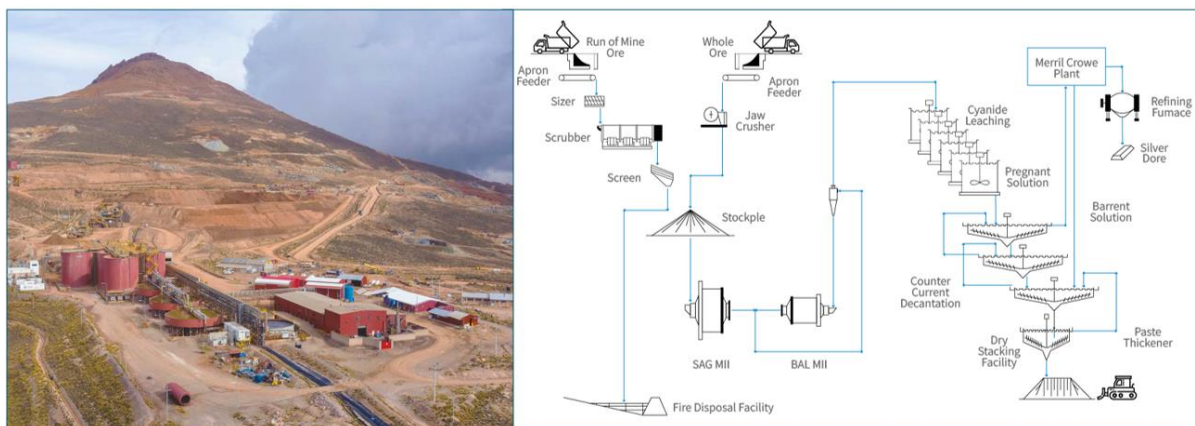
Figure 17: Tailings and waste dump mining operations at (A) El Asiento, (B) Tatasi-Portugalete, (C) Monserrat



Source: Andean Precious Metals

Processing: The plant is rated for capacity of 5,500tpd or ~1.65Mtpa. Over 65Moz has been produced to date with silver recovery averaging 84-86% and gold recoveries ~90%. The flowsheet is a standard silver cyanidation circuit with separate whole ore crushing and ROM ore size screening followed two stage grinding to P₈₀ 75µm, followed by cyanide leaching, counter current decantation, a Merrill Crowe precipitation plant and refining to produce silver ingots of 99.8% silver. Tailings are a mix of dry stack from the main processing circuit and wet tailings which are fines from the pre-leach washing process, generally carrying grade as previously discussed.

Figure 18: (A) San Bartolome processing plant site, (B) Flowsheet



Source: Andean Precious Metals

Economics

We have modelled 70% or 1.15Mtpa of ore feed from the San Bartolome pallacos and the Tatasi-Portugalete and El Asiento tailings and 30% or 0.5Mtpa from purchased ore at 165g/t for total ore processed of 1.65Mtpa at 128g/t Ag and 85% silver recovery, in line with previous recoveries when adjusted for head grade. This generates an NPV of US\$141m at US\$24/oz silver and US\$1850/oz Au with LOM AISC of US\$17.38/oz, including topco G&A. The tailings project generates an NPV of US\$58.5m at US\$24/oz and spot tin prices (we assume 90% payability and US\$2,000/t tin concentrate transport and TCRCs) and US\$90m and a 32% IRR at spot.

Figure 19 Economic summary

	Base case			SB Tails		Base case			SB Tails
	Own ore	Purchased	Total			Own ore	Purchased	Total	
Mine inventory (Mt)	5,750	2,500	8,250	10,000	Mining Cost (US\$/t)	3.25	--	1.50	50.00
Mine grade (g/t Ag)	110.0	165.0	126.7	40.0	Haul cost (US\$/t km)	0.15	--	--	--
Mine ounces mined (koz)	20,335	13,262	33,598	12,860	Processing Cost (US\$/t)	22.00	--	7.50	17.00
% of ore feed	67%	33%	100%	100%	G&A Cost (US\$/t)	6.00	--	1.00	5.00
Mine Life (years)	5.0	5.0	5.0	5.0	Initial capex (US\$m)	n/a	--	50	75
Ore feed rate (ktpa)	1,200	500	1,700	2,000	Sustaining capital (US\$/oz)	20	--	11	24
Silver recovery (%)	85%	85%	85%	70%	Royalty (%)	6.0%	6.0%	6.0%	6.0%
Average annual production (koz Ag)	3,457	2,255	5,712	1,800	AISC (US\$/oz)	20.26	32.40	20.92	16.58
Au production (kozpa)	3.0	--	3.0	--	NPV5% _{-24-1850-spot} tin			141	74.0
Sn production (ktpa)	--	--	--	2.4	NPV5% _{spot}			179	89.6
Total AgEq produced (koz)	19,476	11,273	30,749	25,277	IRR-spot				32%

Source: SCPe, Base case includes open pit and tailings only, San Bartolome Tails shown as scenario analysis but not included in base case valuation

Below we show sensitivity to discount rate, silver price, grade and operating costs. The project NPV appears most sensitive to grade and mine life from an operational perspective, as well as silver price. From our LT SCPe silver price of US\$24 to spot there is 26% NPV uplift, showing significant upside to our forecasts.

Figure 20: San Bartolome NPV sensitivities

1xNAV asset (US\$m)	US\$20/oz	US\$24/oz	Spot: US\$28/oz	US\$30/oz	US\$35/oz	1xNAV asset (US\$m)	US\$20/oz	US\$24/oz	Spot: US\$28/oz	US\$30/oz	US\$35/oz
DR: 0.0%	108	150	193	213	265	Own Ore Grade: 90g/t	63	95	127	143	183
DR: 2.5%	106	145	185	204	253	Own Ore Grade: 100g/t	83	118	153	170	213
DR: 5.0%	104	141	179	197	243	Own Ore Grade: 110g/t	104	141	179	197	243
DR: 7.5%	102	137	173	190	233	Own Ore Grade: 120g/t	125	164	204	223	273
DR: 10.0%	101	134	167	183	224	Own Ore Grade: 130g/t	146	187	230	250	303
1xNAV asset (US\$m)	US\$20/oz	US\$24/oz	Spot: US\$28/oz	US\$30/oz	US\$35/oz	1xNAV asset (US\$m)	US\$20/oz	US\$24/oz	Spot: US\$28/oz	US\$30/oz	US\$35/oz
Purchased Grade: 130g/t	86	121	156	173	217	Op Costs: -20.0%	147	185	224	242	290
Purchased Grade: 150g/t	96	132	169	187	232	Op Costs: -10.0%	126	163	201	220	267
Purchased Grade: 165g/t	104	141	179	197	243	Op Costs: flat	104	141	179	197	243
Purchased Grade: 180g/t	112	150	188	207	254	Op Costs: 10.0%	83	119	156	174	219
Purchased Grade: 200g/t	122	161	201	220	269	Op Costs: 20.0%	61	97	133	151	196

Source: SCPe

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