

Ticker: APM CN	Net cash: C\$71m	Project: San Bartolome
Market cap: C\$198m	Price: C\$1.26/sh	Country: Bolivia
RECOMMENDATION (unc): BUY	TARGET (unc): C\$2.20/sh	RISK RATING: HIGH

On the face of it, today's exploration announcement is more of a foreshadow than an outright catalyst. It is a good reminder, however, that in an ultra-hot silver producer sector, Andean is trading at just 2x EV/FCF with a remaining mine life of SCPe 4.5 years, which means that investors buying at today's price should achieve an 30% re-rate from just cash alone. That leaves the exploration upside at Rio Blanco and San Pablo, referenced in today's announcement, included for free in Andean's market cap. In our view this makes Andean a clear and low risk re-rate candidate given San Bartolome's 12 year operating history, current cash flow generation, and Andean's strong board and management team. As most silver peers trade well above NAV and life of mine free cash flow, Andean makes for a compelling diversification for silver investors or a compelling precious metals investment for generalist value investors. **We reiterate our BUY rating and C\$2.20/sh price target based on 1.3x NAV_{5%-24/oz}.**

5,500m drilling at Rio Blanco commenced with San Pablo assays imminent

Andean announced commencement of a 24-hole 5,500m drilling program at Rio Blanco, located ~120km south of Potosi. Rio Blanco is a Bendigo style target along a NW-SE trending 22km system with a power line within 15km. Trenching results to date include **2m @ 10g/t, 17m @ 2.2g/t and 9m @ 3.7g/t**. At San Pablo, located 350km from Potosi, 3,580m were drilled ending in May, with assays expected in the next three weeks. 10,000m in total is planned at San Pablo for 2021. San Pablo is an intrusive style Au-Sb target located on the same orogenic belt that hosts the Kori Kollo deposit that has produced ~6Moz for Newmont.

Why we like Andean

1. 47% spot FCF yield (to EV) 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 6.0Moz AgEq at US\$17.73/oz AISC
- 1H22: PEA on tailings reprocessing opportunity
- Ongoing: M&A opportunity review

Research

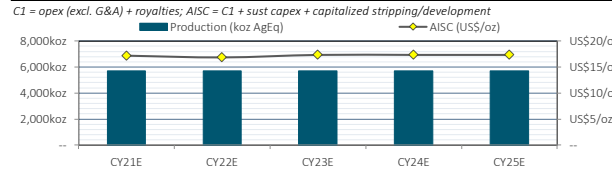
Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker:	APM CN	Price / mkt cap:	C\$1.26/sh, C\$198m	Market P/NAV:	0.76x	Assets:	San Bartolome
J Chan / B Gaspar		Rec / PT:	BUY / C\$2.20	1xNAV₂₀₂₀ FD:	C\$1.65/sh	Country:	Bolivia
Group-level SOTP valuation				Share data			
	1Q21E	2Q21E					
San Bartolome NPV 2Q21E	US\$m	O/ship	NAVx	C\$/sh	Basic shares (m): 157.3	FD + options (m): 159.8	FD + FF 159.8
Central SG&A & fin costs 2Q21E	(19)	-	1.0x	(0.15)	CY21E	CY22E	CY23E
Exploration	25	-	1.0x	0.20	CY21E	CY22E	CY23E
Cash and restr. cash 1Q21E	73	-	1.0x	0.57	CY21E	CY22E	CY23E
Debt 1Q21E	0	-	1.0x	0.00	CY21E	CY22E	CY23E
ITM options	2	-	1.0x	0.02	CY21E	CY22E	CY23E
1xNAV5% US\$24/oz	210			1.65	CY21E	CY22E	CY23E
Target multiples	Multiple			C\$/sh	CY21E	CY22E	CY23E
Target P/NAV Multiple	1.30x			2.20	CY21E	CY22E	CY23E
Target price				2.20	CY21E	CY22E	CY23E
Sensitivity to silver price and discount / NAV multiple				Ratio analysis			
1xNAV San Bartolome (US\$m)	\$20oz	\$24oz	Spot: \$26oz	\$30oz	\$35oz	CY21E	CY22E
7% discount	99	133	166	184	227	CY21E	CY22E
5% discount	100	136	171	190	235	CY21E	CY22E
3% discount	102	140	176	196	243	CY21E	CY22E
Valuation (C\$/sh)	\$20oz	\$24oz	Spot: \$26oz	\$30oz	\$35oz	CY21E	CY22E
1.00xNAV	1.42	1.70	1.97	2.12	2.47	CY21E	CY22E
1.30xNAV	1.84	2.21	2.56	2.75	3.21	CY21E	CY22E
1.50xNAV	2.13	2.55	2.96	3.18	3.70	CY21E	CY22E
2025E net cash (US\$m)	\$20oz	\$24oz	Spot: \$26oz	\$30oz	\$35oz	CY21E	CY22E
-10% change in opex	173	214	254	275	327	CY21E	CY22E
0% change in opex	152	192	231	252	303	CY21E	CY22E
10% change in opex	130	169	208	229	278	CY21E	CY22E
Valuation over time	1Q21E	1Q22E	1Q23E	1Q24E	1Q25E	CY21E	CY22E
Mines NPV (US\$m)	129	89	65	47	29	CY21E	CY22E
Cntrl G&A & fin costs (US\$m)	(28)	(14)	(15)	(14)	(10)	CY21E	CY22E
Net cash at 1Q (US\$m)	73	134	161	184	183	CY21E	CY22E
Other Assets + Options	27	27	27	27	27	CY21E	CY22E
1xNAV (US\$m)	201	237	239	244	229	CY21E	CY22E
P/NAV (x):	0.80x	0.68x	0.67x	0.66x	0.70x	CY21E	CY22E
1xNAV share px FD (C\$/sh)	1.58	1.87	1.88	1.92	1.80	CY21E	CY22E
ROI to equity holder (% pa)	26%	22%	14%	11%	7%	CY21E	CY22E
1.5xNAV share px FD (C\$/sh)	2.37	2.80	2.82	2.88	2.70	CY21E	CY22E
ROI to equity holder (% pa)	88%	49%	31%	23%	17%	CY21E	CY22E
Resource / Reserve	Mt	Moz Ag	Moz Au	EV/oz Ag	EV/oz AgEq	CY21E	CY22E
Measured, ind. & inf. - Andean	4.92	23.1		3.7	3.7	CY21E	CY22E
SCPe Mine inventory	8.15	33.4		2.5	2.5	CY21E	CY22E
Production (100%)	CY21E	CY22E	CY23E	CY24E	CY25E	CY21E	CY22E
San Bartolome (000oz Ag)	5,686	5,712	5,712	5,712	5,712	CY21E	CY22E
San Bartolome (000oz Au)	5.0	4.0	-	-	-	CY21E	CY22E
San Bartolome (000oz AgEq)	6,047	6,008	5,712	5,712	5,712	CY21E	CY22E
San Bartolome cash cost (US\$/oz AgEq)	12.35	12.87	13.39	13.39	13.39	CY21E	CY22E
San Bartolome AISC (US\$/oz AgEq)	16.32	15.00	15.56	16.10	16.43	CY21E	CY22E
Group (000oz Ag)	5,686	5,712	5,712	5,712	5,712	CY21E	CY22E
Group (000oz AgEq)	6,047	6,008	5,712	5,712	5,712	CY21E	CY22E
Group cash cost (US\$/oz)	15.10	15.33	15.76	15.76	15.76	CY21E	CY22E
Group AISC (US\$/oz)	17.20	16.86	17.35	17.35	17.35	CY21E	CY22E
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development				Share data			
Production (koz AgEq)				Ratio analysis			
AISC (US\$/oz)				FCF yield - pre growth spend (%)			
				FCF yield (%)			
				EBITDA margin (%)			
				FCF margin (%)			
				ROA (%)			
				ROE (%)			
				ROCE (%)			
				PER (x)			
				P/CF (x)			
				EV/EBITDA (x)			
				Income statement			
				Revenue (US\$m)			
				COGS (US\$m)			
				Gross profit (US\$m)			
				Expenses (US\$m)			
				Impairment & other (US\$m)			
				Net finance costs (US\$m)			
				Tax (US\$m)			
				Minority interest (US\$m)			
				Net income attr. (US\$m)			
				EBITDA			
				Cash flow			
				Profit/(loss) after tax (US\$m)			
				Add non-cash items (US\$m)			
				Less wkg cap / other (US\$m)			
				Cash flow ops (US\$m)			
				PP&E (US\$m)			
				Other (US\$m)			
				Cash flow inv. (US\$m)			
				Debt draw (repayment) (US\$m)			
				Equity issuance (US\$m)			
				Other (US\$m)			
				Cash flow fin. (US\$m)			
				Net change post forex (US\$m)			
				Balance sheet			
				Cash (US\$m)			
				Accounts receivable (US\$m)			
				Inventories (US\$m)			
				PPE & exploration (US\$m)			
				Other (US\$m)			
				Total assets (US\$m)			
				Debt (US\$m)			
				Other liabilities (US\$m)			
				Shareholders equity (US\$m)			
				Retained earnings (US\$m)			
				Minority int. & other (US\$m)			
				Liabilities+equity (US\$m)			



DISCLOSURES & DISCLAIMERS

This research report (as defined in IIROC Rule 3400) is issued and approved for distribution in Canada by Sprott Capital Partners LP ("SCP"), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada ("IIROC") and the Canadian Investor Protection Fund ("CIPF"). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol "SII". Sprott Asset Management LP ("SAM"), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP's research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH: SCP's research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP's Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprott.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION: Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS: Sprott Partners UK Limited ("Sprott") is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP ("PillarFour") for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott's clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS: This research report was prepared by Sprott Capital Partners LP ("SCP"), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. ("SGRIL"), a broker dealer in the United States registered with the Securities Exchange Commission ("SEC"), the Financial Industry Authority ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC"). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

ANALYST CERTIFICATION / REGULATION AC: The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

SPROTT CAPITAL PARTNERS EXPLANATION OF RECOMMENDATIONS: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

NEUTRAL: The stock's total returns are expected to be in line with the overall market

SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

NOT RATED ((N/R): The stock is not currently rated

Research Disclosure		Response
1	SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities ¹	NO
2	The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3	An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4	SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	YES
5	Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6	SCP is making a market in an equity or equity related security of the issuer	NO
7	The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	NO
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of recommendations as of July 2021	
BUY:	44
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	44

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month