

Ticker: APM CN **Net cash:** US\$86m **Project:** San Bartolome
Market cap: C\$118m **Price:** C\$0.75/sh **Country:** Bolivia
REC. (unc): BUY **TARGET (unc):** C\$1.50/sh **RISK RATING (unc):** HIGH

With 4Q22 and 2022 production of 1.2Moz and 5.0Moz AgEq, respectively, already released, today's financials are largely confirmatory. Big picture, we think this year's slightly negative FCF can be improved upon, particularly if plant recoveries can be stabilized by a combination (in our view) of better third party ore sources, ore blending, and plant optimization. We forecast ~flat FCF in 2023 at spot pricing (lower AISC and G&A, higher capex result in a modest yoy improvement on 2022), not world beating but enough to maintain Andean's purchasing power via the US\$90m of cash and marketable securities. Big picture, Andean is that rare entity in mining, with cash to do a deal, and benefits from what has been a tough market for LatAm producers and developers, notwithstanding this week's market rally. San Bartolome is a useful operating base, that at minimum should cover group G&A and with life-of-mine and NPV upside optionality to silver and tin prices through the potential FDF expansion. Updating for today's financials and 2023 guidance, we **maintain our BUY rating and maintain our 1.0x NAV_{5%-24/oz price} C\$1.50/sh PT**. Looking ahead, we expect a stronger year and potential for FDF to extend mine life

2022 financials sees Andean retain its US\$90m cash/securities available to fund growth

Andean announced 2022 year end and Q4 financials. Production of 1.2Moz AgEq in Q4 and 5.0Moz AgEq in 2022 was previously announced. **4Q22:** AISC was US\$22.2/oz in Q4. On revenue of US\$25.7m, Andean generated -US\$2.6m of EBITDA, -US\$2.5m of cash flow from ops and FCF was -US\$3.4m. Net cash declined by US\$3m to US\$86.1m but there are an additional US\$12m of VAT receivables including US\$4m of VAT certificates which can be sold for cash or used to offset tax.

Table 1: 4Q22 vs SCPe and 3Q22

Operations	3Q22A	4Q22E	4Q22A	QoQ	vs SCPe	Financials	3Q22A	4Q22E	4Q22A	QoQ	vs SCPe
Ore mined (000t)	436	500	506	16%	1%	Silver Eq sold (Moz)	1.23	1.23	1.21	-1%	-2%
Grade mined (g/t Ag)	94	110	93	-1%	-15%	Revenue (US\$m)	23.6	25.3	25.7	9%	1%
Ore purchased (000t)	113	115	112	-1%	-3%	EBITDA (US\$m)	-4.2	-0.7	-2.6	-38%	270%
Grade purchased (g/t)	230	220	241	5%	10%	Net income (US\$m)	-2.8	-2.6	-3.3	18%	27%
Ore milled (000t)	404	396	396	-2%	-0%	Cash flow from ops (US\$m)	-3.0	2.2	-2.5	-17%	-215%
Head grade (g/t)	115	121	121	5%	--	Cash flow from investing (US\$m)	-0.7	-0.8	-1.9	156%	153%
Recovery (%)	77%	78%	78%	1%	--	FCF (US\$m)	-5.1	1.4	-3.4	-33%	-339%
Silver Eq production (<oz)	1.22	1.25	1.25	3%	0%	Change in net cash (US\$m)	-3.4	1.4	-3.0	-12%	-310%
AISC (US\$/oz)	21.7	21.1	22.2	3%	6%	Net cash at end (1) (US\$m)	89.1	90.5	86.1	-3%	-5%

Source: Andean Precious Metals; SCPe; (1) includes cash, restricted cash, and marketable securities less debt; (2) Adds back US\$1.5m purchase of marketable securities

2022: Full year production of 5Moz at US\$22.2/oz AISC saw production -15% and AISC +22% YoY. Revenue fell by US\$36m to US\$144m, reflecting a 14% fall in the average realized silver price from US\$24.9/oz to US\$21.8/oz. Other notable YoY drivers were lower recovery, which was the main cost driver, and SCPe 11% higher per tonne unit costs YoY.

Table 2: 2022 vs 2021 and SCPe

Operations	2021A	2022E	2022A	YoY	vs SCPe	Financials	2021A	2022E	2022A	YoY	vs SCPe
Ore mined (000t)	1,768	1,954	1,960	11%	0%	Silver Eq sold (000oz)	5.75	4.98	4.96	-14%	-0%
Grade mined (g/t Ag)	92	101	96	4%	-4%	Revenue (US\$m)	144.2	107.7	108.0	-25%	0%
Ore purchased (000t)	546	462	459	-16%	-1%	EBITDA (US\$m)	30.6	0.3	-1.6	-105%	-609%
Grade purchased (g/t)	201	221	226	12%	2%	Net income (US\$m)	4.3	-8.4	-8.8	-306%	5%
Ore milled (000t)	1,714	1,613	1,613	-6%	-0%	Cash flow from ops (US\$m)	33.6	1.9	-2.7	-108%	-242%
Head grade (g/t)	115	120	120	4%	-0%	Cash flow from investing (US\$m)	-3.9	-2.6	-3.7	-5%	45%
Recovery (%)	85%	77%	77%	-9%	1%	FCF (US\$m) ⁽²⁾	29.7	-0.6	-5.0	-117%	678%
Silver Eq production (<oz)	5.79	5.00	5.00	-14%	0%	Change in net cash (US\$m)	1.2	3.2	-1.2	-200%	-138%
AISC (US\$/oz)	18.2	21.4	22.2	22%	4%	Net cash at end (1) (US\$m)	87.3	90.5	86.1	-1%	-5%

Source: Andean Precious Metals; SCPe; (1) includes cash, restricted cash, and marketable securities less debt; (2) Adds back US\$1.5m purchase of marketable securities

2023 Guidance: 4.8-5.2Moz AgEq at US\$19.5-20.3/oz AISC, capex of US\$8-10m with higher spending on FDF met testwork and US\$5.9-6.2m corporate overheads.

Why we like Andean

1. San Bartolome is Bolivia's only Ag oxide mill, new Ag oxide discoveries being made in Bolivia
2. US\$90m net cash provides balance sheet for growth
3. 5Moz San Bartolome is first step towards multi asset producer

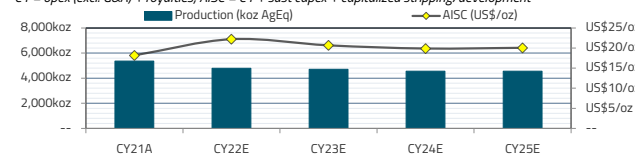
Catalysts

- Scoping study on San Bartolome Expansion to process FDF
- Ongoing: Exploration and M&A review

Research

- **Justin Chan** (London) M: +44 7554 784 688 jchan@sprott.com
- **Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com
- **Konstantinos Kormpis** (Toronto) M: +1 778-957-3623 kkormpis@sprott.com

Ticker: APM CN	Price / mkt cap: C\$0.75/sh, C\$118m	Market P/NAV: 0.52x	Assets: San Bartolome
Author: J Chan / E Magdzinski	Rec / PT: BUY / C\$1.50	1xNAV₀₂₃ FD: C\$1.45/sh	Country: Bolivia

Group-level SOTP valuation						Share data					
	4Q22	1Q23E									
	US\$m	O/ship	NAVx	C\$/sh		Basic shares (m):	FD + options (m):	FD + FF	165.5	165.5	
San Bartolome NPV 1Q23E	139	100%	1.0x	1.12		Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Central SG&A & fin costs 1Q23E	(57)	-	1.0x	(0.46)		Silver price (US\$/oz)	26.3	23.0	22.4	23.4	24.0
Exploration	10	-	1.0x	0.08		Ratio analysis	CY21A	CY22E	CY23E	CY24E	CY25E
Cash and restr. cash 4Q22	86	-	1.0x	0.69		FD shares out (m)	160.0	157.9	160.0	160.1	160.1
Debt 4Q22	--	-	1.0x	-		EPS (US\$/sh)	0.027	(0.056)	0.001	0.039	0.048
ITM options	2	-	1.0x	0.01		CFPS before w/c (US\$/sh)	0.20	(0.00)	0.04	0.08	0.09
1xNAV5% US\$24/oz	180			1.45		FCFPS pre growth spend (US\$/sh)	0.18	(0.01)	0.01	(0.10)	0.06
Target multiples	Multiple			C\$/sh		FCF/sh (US\$/sh)	0.19	(0.04)	(0.01)	(0.10)	0.06
Target P/NAV Multiple	1.00x			1.50		FCF yield - pre growth spend (%)	32.3%	neg	2.0%	neg	11.0%
Target price	1.50			1.50		FCF yield (%)	34.0%	neg	neg	neg	11.1%
Sensitivity to silver price and discount / NAV multiple						EBITDA margin (%)	21.2%	(1%)	8.4%	14.9%	16.2%
1xNAV San Bartolome (US\$m)	\$16oz	\$20oz	\$24oz	\$28oz	\$32oz	FCF margin (%)	20.6%	(6%)	(1%)	(13%)	7.5%
7% discount	78	112	146	180	214	ROA (%)	3.0%	(7%)	0.1%	4.3%	5.1%
5% discount	82	120	158	195	233	ROE (%)	4.2%	(9%)	0.1%	6.1%	7.0%
3% discount	87	129	171	213	255		16.7%	(8%)	2.6%	10.0%	11.2%
Valuation (C\$/sh)	\$16oz	\$20oz	\$24oz	\$28oz	\$32oz	PER (x)	19.1x	(10.2x)	995.0x	14.3x	11.7x
0.80xNAV	0.80	1.00	1.20	1.40	1.60	P/CF (x)	2.6x	(814.8x)	14.8x	6.8x	6.2x
1.00xNAV	0.90	1.20	1.50	1.70	2.00	EV/EBITDA (x)	(0.2x)	(5.6x)	0.6x	1.2x	0.7x
1.20xNAV	1.10	1.40	1.70	2.10	2.40	Income statement	CY21A	CY22E	CY23E	CY24E	CY25E
2025E net cash (US\$m)	\$16oz	\$20oz	\$24oz	\$28oz	\$32oz	Revenue (US\$m)	144.2	108.0	105.6	129.0	132.5
-10% change in opex	73	88	103	118	133	COGS (US\$m)	(95.0)	(91.1)	(90.8)	(103.4)	(104.4)
0% change in opex	56	71	85	100	114	Gross profit (US\$m)	49.2	16.9	14.8	25.7	28.1
10% change in opex	37	54	67	81	95	Expenses (US\$m)	-	(19.4)	(22.6)	(18.5)	(29.0)
Valuation over time	1Q22A	1Q23E	1Q24E	1Q25E	1Q25E	Impairment & other (US\$m)	-	-	-	-	-
Mines NPV (US\$m)	139	111	120	142	138	Net finance costs (US\$m)	(0.2)	0.0	-	-	-
Cntrl G&A & fin costs (US\$m)	(57)	(44)	(47)	(46)	(43)	Tax (US\$m)	(15.7)	(0.0)	(2.9)	(6.1)	(6.9)
Net cash (US\$m)	86	82	65	75	96	Minority interest (US\$m)	-	-	-	-	-
Other Assets + Options	12	12	12	12	12	Net income attr. (US\$m)	33.3	(2.5)	(10.7)	1.0	(7.8)
1xNAV (US\$m)	180	160	149	183	203	EBITDA	4.3	(8.8)	0.7	6.2	7.7
P/NAV (x):	0.52x	0.58x	0.62x	0.51x	0.46x	Cash flow	CY21A	CY22E	CY23E	CY24E	CY25E
1xNAV share px FD (C\$/sh)	1.45	1.29	1.21	1.47	1.64	Profit/(loss) after tax (US\$m)	4.3	(10.1)	0.1	6.2	7.7
ROI to equity holder (% pa)	94%	31%	17%	18%	17%	Add non-cash items (US\$m)	27.3	10.0	5.8	6.9	6.9
1.3xNAV share px FD (C\$/sh)	1.89	1.68	1.57	1.91	2.13	Less wkg cap / other (US\$m)	2.1	(2.6)	2.2	0.3	0.1
ROI to equity holder (% pa)	152%	50%	28%	26%	23%	Cash flow ops (US\$m)	33.6	(2.7)	8.2	13.4	14.7
Resource / Reserve	Mt	Moz Ag	Moz Au	EV/oz Ag	EV/oz AgEq	PP&E (US\$m)	(3.4)	(2.2)	(9.1)	(29.7)	(4.7)
Measured, ind. & inf. - Andean	4.14	28.1		0.1	0.1	Other (US\$m)	(0.5)	(1.5)	-	-	-
SCPe Mine inventory	7.95	37.2		0.1	0.1	Cash flow inv. (US\$m)	(3.9)	(3.7)	(9.1)	(29.7)	(4.7)
Production (100%)	CY21A	CY22E	CY23E	CY24E	CY25E	Debt draw (repayment) (US\$m)	(0.2)	(0.2)	-	-	-
San Bartolome (000oz Ag)	5,357	4,788	4,708	4,555	4,555	Equity issuance (US\$m)	19.6	(0.2)	1.8	-	-
San Bartolome (000oz Au)	5.7	2.6	3.0	3.0	3.0	Other (US\$m)	-	1.1	-	-	-
San Bartolome (000oz AgEq)	5,791	4,986	4,967	4,796	4,786	Cash flow fin. (US\$m)	19.4	0.8	1.8	-	-
San Bartolome cash cost (US\$/oz AgEq)	14.41	17.53	16.91	16.21	16.31	Net change post forex (US\$m)	49.1	(5.7)	0.8	(16.2)	10.0
San Bartolome AISC (US\$/oz AgEq)	17.27	19.57	19.51	18.97	19.13	Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Group (000oz Ag)	5,357	4,788	4,708	4,555	4,555	Cash (US\$m)	87.3	80.7	81.5	65.3	75.3
Group (000oz AgEq)	5,791	4,986	4,967	4,796	4,786	Accounts receivable (US\$m)	3.1	0.2	0.8	1.1	1.0
Group cash cost (US\$/oz)	15.77	18.22	18.60	17.95	18.10	Inventories (US\$m)	8.7	11.7	9.1	10.3	10.4
Group AISC (US\$/oz)	18.17	22.22	20.68	19.88	20.06	PPE & exploration (US\$m)	20.7	16.6	19.9	42.7	40.5
						Other (US\$m)	20.5	24.6	24.6	24.6	24.6
<i>C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development</i>						Total assets (US\$m)	140.3	133.9	136.0	144.0	151.9
						Debt (US\$m)	-	-	-	-	-
						Other liabilities (US\$m)	37.7	39.4	39.7	41.5	41.7
						Shareholders equity (US\$m)	24.6	26.5	28.3	28.3	28.3
						Retained earnings (US\$m)	78.0	67.9	68.0	74.2	81.9
						Minority int. & other (US\$m)	-	-	-	-	-
						Liabilities+equity (US\$m)	140.3	133.9	136.0	144.0	151.9

Source: SCP estimates

DISCLOSURES & DISCLAIMERS

This research report (as defined under IIROC Rule 3600, Part B) 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	YES
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	NO
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 March 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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