Ticker: APM CN	**Net cash 1Q24:** US$22.1m	**Project**: San Bartolome/ Soledad Mtn.
Market cap: C$129m	**Price:** C$0.85/sh	**Country:** Bolivia / USA
REC. (unc): BUY	*TARGET (-10c): C$1.10/sh*	*RISK RATING (unc): HIGH*

Q1 was a challenging quarter for Andean producing 1.8Moz AgEq (-15% vs SCPe 2.2Moz), with challenging weather conditions at Bolivia and the fire incident at Golden Queen resulting to higher AISC and lower production (-15% group AgEq production vs SCPe). On the positive side, Golden Queen beat our SCPe by +10%, not only offseting the impact from the fire incident but also producing above target. With the one-time occurring costs associated with the fire incident behind them, combined with its strong operational performance, we are confident for QoQ improvement on AISC to generate ~US$11m of FCF this year. Production is guided to be H2 weighted, with Andean reiterating its production guidance of ~60koz AuEq at US$1,750/oz AISC from Golden Queen and 5Moz AgEq at ~US$3.9/oz AgEq cash gross margin from San Bartolome. Given that production from San Bartolome came -34% and -20% lower vs QoQ and SCPe respectively, we maintain our SCPe 4.1Moz AgEq San Bartolome production for 2024, leaving us with the optionality to revise our estimates in the next quarter, if production overperforms our estimates.

Updating for financials, today ***we maintain our BUY rating but trim our target price to C$1.10/sh (prev US$1.20/sh) based on 1.0xNAV$_{5\%}$ at US$24/oz Ag and US$1850/oz Au LT.*** *In our view, Andean has the opportunity for its stock price to regain momentum in the current gold market if it will deliver on its guidance and generate positive cash flows, albeit the re-rate should come from the acquisition of another asset to lower the overall cost profile and extend the mine life. The balance sheet remains Andean's strength, with US$41.5m of cash + US$40.5m between metal inventories and marketable securities (US$22m net cash), providing flexibility for growth.*

Table 1: 1Q24 vs SCPe and 4Q23

Operations	4Q23A	1Q24E	1Q24A	QoQ	vs SCPe
Golden Queen - Ore mined (Mt)	0.2	0.8	0.8	358%	10%
Grade mined (g/t Au)	0.6	0.7	0.8	36%	14%
Strip ratio (x)	11.1	5.9	7.0	-37%	18%
Au Eq production (koz)	5.7	12.1	11.5	101%	-5%
AISC (US$/oz)	1,557	1,775	1,936	24%	9%
San Bartolome - AgEq production (Moz)	1.3	1.0	0.8	-34%	-20%
CGOM (US$/oz)	2.8	0.0	-0.7	down	down
AgEq Total production (Moz)	1.7	2.2	1.8	6%	-15%
AuEq Total production (koz)	20.5	24.8	21.3	4%	-14%

Financials	4Q23A	1Q24E	1Q24A	QoQ	vs SCPe
Silver Eq sold (Moz)	2.02	1.17	1.82	-10%	55%
Revenue (US$m)	48.8	50.9	43.1	-12%	-15%
EBITDA (US$m)	1.2	12.0	3.6	195%	-70%
Net income (US$m)	38.1	5.3	-0.1	down	down
Cash flow from ops (US$m)	5.1	-9.0	-4.7	-192%	-48%
Cash flow from investing (US$m)	-11.2	-5.6	-2.8	down	down
FCF (US$m)	-6.1	-14.6	-7.5	down	down
Change in adj net cash (US$m)	-57.6	-14.6	-8.4	up	up
Adj net cash at end (1) (US$m)	30.5	8.0	22.1	-28%	175%

Source: Andean Precious Metals; SCPe; (1) includes cash, restricted cash, metals inventory, VAT certificates, and marketable securities less debt

1Q24 Earnings: Strong balance sheet weathers a challenging Q1, guidance of 10.4Moz AgEq reiterated

Today, Andean reported its Q1 results. Production: In Q1, San Bartolome complex produced 827koz AgEq at US$24.4/oz gross operating cost, while Golden Queen mine produced 11.5koz AuEq at US$1,936/oz AISC. Guidance was re-affirmed to 57-63koz AuEq at US$1660-1840/oz AISC from Golden Queen and 4.8-5.3Moz AgEq at 19.5% cash gross operating margin from San Bartolome.

Financials: Revenue for Q1 was US$43.1m, EBITDA US$3.6m with -US$7.5m of FCF, excl. US$25m investments in marketable securities (short-term US treasuries). Net loss for the quarter was -US$0.08m, including a one-time occurred cost of US$600k for the fire incidence at Golden Queen and US$400k of severance pay to some employees in Bolivia. Cash used in operations was -US$4.7m, including ~US$6m of changes in working cap – a change mainly driven by a US$5.9m increase on inventories, capex was US$3.8m, with Andean ending the first quarter of 2024 with US$41.5m in cash + US$29.8m on marketable securities + US$10.7m of metal inventory and US$59.9m of debt.

Why we like Andean

1. San Bartolome is Bolivia's only Ag oxide mill, new Ag oxide discoveries being made in Bolivia
2. Now has two producing assets in the Americas

Catalysts

- 2024: Stronger 2H24 in group production and costs post fire incident at Golden Queen
- 2024: First production from San Bartolome FDF
- Ongoing: Exploration and M&A review

Research

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Ticker:	APM CN	**Price / mkt cap:**	C$0.85/sh, C$129m	**Market P/NAV:**	0.76x	**Assets:**	San Bart/Soledad Mtn.
Author:	J Chan	**Rec / PT:**	BUY / C$1.10	**1xNAV$_{1Q24}$ FD:**	C$1.12/sh	**Country:**	Bolivia / USA

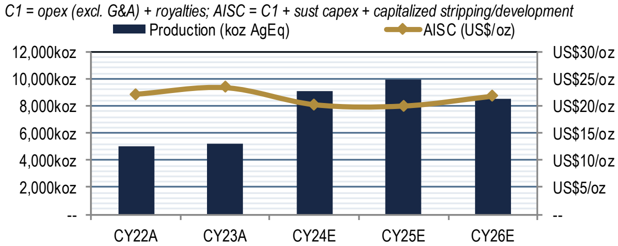
Group-level SOTP valuation	1Q24E	2Q24E		
	US$m	O/ship	NAVx	C$/sh
San Bartolome NPV 2Q24E	46	100%	1.0x	0.39
Golden Queen NPV 2Q24E	58	100%	1.0x	0.49
Central SG&A & fin costs 2Q24E	(6)	-	1.0x	(0.05)
Nominal exploration upside	10		1.0x	0.09
Cash and mark. sec. 1Q24E	71	-	1.0x	0.61
Metal inventory and VAT certificates	11	-	1.0x	0.09
Pro forma debt	(60)	-	1.0x	(0.52)
ITM options	1	-	1.0x	0.01
1xNAV5% US$24/oz	**131**			**1.12**
Target multiples	**Multiple**			**C$/sh**
Target P/NAV Multiple	**1.00x**			**1.10**
Target price				**1.10**

Sensitivity to silver or gold price and discount / NAV multiple					
1xNAV San Bartolome (US$m)	$16oz	$20oz	$24oz	$28oz	$32oz
7% discount	12	30	44	58	72
5% discount	13	31	46	61	75
3% discount	13	32	48	63	79
1xNAV Soledad Mountain (US$m)	$1650oz	$1750oz	$1850oz	$1950oz	$2050oz
7% discount	16	36	55	73	90
5% discount	17	37	58	76	94
3% discount	18	39	60	80	98
Valuation (C$/sh)	$16oz	$20oz	$24oz	$28oz	$32oz
0.80xNAV	0.60	0.80	0.90	1.00	1.20
1.00xNAV	0.80	1.00	1.10	1.30	1.40
1.20xNAV	0.90	1.20	1.30	1.50	1.70

Valuation over time	1Q24E	1Q25E	1Q26E	1Q26E	1Q26E
Mines NPV (US$m)	107	96	74	66	53
Cntrl G&A & fin costs (US$m)	(9)	0	11	3	10
Net cash (US$m)	18	29	48	56	81
Other Assets + Options	11	11	11	11	11
1xNAV (US$m)	127	137	144	137	156
P/NAV (x):	0.78x	0.72x	0.69x	0.72x	0.63x
1xNAV share px FD (C$/sh)	1.09	1.18	1.24	1.18	1.34
ROI to equity holder (% pa)	*13%*	*18%*	*13%*	*8%*	*10%*
1.3xNAV share px FD (C$/sh)	1.42	1.53	1.61	1.53	1.74
ROI to equity holder (% pa)	*29%*	*34%*	*24%*	*16%*	*15%*

Production (100%)	CY22A	CY23A	CY24E	CY25E	CY26E
San Bartolome (000oz AgEq)	4,986	4,715	4,118	4,731	4,731
San Bartolome cash cost (US$/oz AgEq)	17.53	19.32	18.58	17.52	17.52
San Bartolome AISC (US$/oz AgEq)	19.57	21.50	22.08	20.37	20.37
Soledad Mtn. (000oz AuEq)	-	6	59	79	61
Soledad Mtn. cash cost (US$/oz AuEq)	-	1,012	1,400	1,349	1,648
Soledad Mtn. AISC (US$/oz AuEq)	-	1,557	1,758	1,580	1,856
Group (000oz Ag)	4,788	4,602	4,590	4,408	3,958
Group (000oz Au)	3	7	53	72	60
Group (000oz AgEq)	4,986	5,200	9,119	9,940	8,562
Group cash cost (US$/oz)	18.22	19.81	18.55	18.71	20.58
Group AISC (US$/oz)	22.22	23.46	20.20	19.95	21.84

C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development



Resource / Reserve	Mt	Moz Ag	Moz Au	EV/oz Ag	EV/oz AgEq
Measured, ind. & inf. - Andean	4.14	28.1		3.0	3.0
SCPe Mine inventory	5.62	34.1		2.5	2.5
Share data					
Basic shares (m): 151.4	FD + options (m):		155.0	FD + FF	155.0
Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Silver price (US$/oz)	26.3	23.0	23.4	24.4	24.0
Ratio analysis	CY21A	CY22E	CY23E	CY24E	CY25E
FD shares out (m)	152.6	157.9	168.1	178.1	178.1
EPS (US$/sh)	0.028	(0.056)	0.229	0.079	0.056
CFPS before w/c (US$/sh)	0.21	(0.00)	0.06	0.18	0.18
FCFPS pre growth spend (US$/sh)	0.19	(0.04)	(0.03)	0.02	0.06
FCF/sh (US$/sh)	0.19	(0.04)	(0.06)	0.00	0.06
FCF yield - pre growth spend (%)	31.1%	neg	neg	3.2%	9.9%
FCF yield (%)	31.1%	neg	neg	0.5%	9.9%
EBITDA margin (%)	21.2%	(1%)	4.2%	17.0%	15.2%
FCF margin (%)	20.6%	(6%)	(9%)	0.3%	4.4%
ROA (%)	3.0%	(7%)	14.3%	5.1%	4.0%
ROE (%)	4.2%	(9%)	29.2%	9.7%	6.4%
ROCE (%)	16.7%	(8%)	0.0%	9.4%	8.2%
PER (x)	21.9x	(11.5x)	2.8x	7.9x	11.4x
P/CF (x)	3.0x	(923.4x)	10.1x	3.4x	3.5x
EV/EBITDA (x)	0.2x	(13.0x)	16.9x	2.3x	2.2x
Income statement	CY21A	CY22E	CY23E	CY24E	CY25E
Revenue (US$m)	144.2	108.0	125.3	238.7	255.5
COGS (US$m)	(95.0)	(91.1)	(105.9)	(187.4)	(205.2)
Gross profit (US$m)	**49.2**	**16.9**	**19.4**	**51.3**	**50.3**
Expenses (US$m)	-	(19.4)	(22.6)	(18.5)	(29.0)
Impairment & other (US$m)	-	-	-	-	-
Net finance costs (US$m)	(0.2)	0.0	42.9	1.9	1.7
Tax (US$m)	(15.7)	(0.0)	(4.4)	(9.6)	(8.3)
Minority interest (US$m)	-	-	-	-	-
Net income attr. (US$m)	**33.3**	**(2.5)**	**35.4**	**25.1**	**14.7**
EBITDA	*4.3*	*(8.8)*	*38.5*	*14.1*	*9.9*
Cash flow	CY21A	CY22E	CY23E	CY24E	CY25E
Profit/(loss) after tax (US$m)	4.3	(10.1)	38.5	14.1	9.9
Add non-cash items (US$m)	27.3	10.0	(28.0)	18.8	22.3
Less wkg cap / other (US$m)	2.1	(2.6)	(6.4)	(1.0)	0.0
Cash flow ops (US$m)	**33.6**	**(2.7)**	**4.2**	**31.9**	**32.2**
PP&E (US$m)	(3.4)	(2.2)	(6.0)	(26.3)	(16.0)
Other (US$m)	(0.5)	(1.5)	(9.0)	(5.0)	(5.0)
Cash flow inv. (US$m)	**(3.9)**	**(3.7)**	**(15.0)**	**(31.3)**	**(21.0)**
Debt draw (repayment) (US$m)	(0.2)	(0.2)	(7.8)	(7.5)	(40.0)
Equity issuance (US$m)	19.6	(0.2)	(1.7)	-	-
Other (US$m)	-	1.1	0.1	-	-
Cash flow fin. (US$m)	**19.4**	**0.8**	**(9.3)**	**(7.5)**	**(40.0)**
Net change post forex (US$m)	49.1	(5.7)	(20.2)	(6.9)	(28.7)
Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Cash (US$m)	87.3	80.7	64.9	58.0	29.3
Accounts receivable (US$m)	3.1	0.2	0.9	1.9	1.9
Inventories (US$m)	8.7	11.7	68.4	68.4	68.4
PPE & exploration (US$m)	20.7	16.6	92.4	104.9	103.6
Other (US$m)	20.5	24.6	43.4	43.4	43.4
Total assets (US$m)	**140.3**	**133.9**	**269.9**	**276.5**	**246.5**
Debt (US$m)	-	-	47.5	40.0	-
Other liabilities (US$m)	37.7	39.4	90.5	90.5	90.5
Shareholders equity (US$m)	24.6	26.5	25.5	25.5	25.5
Retained earnings (US$m)	78.0	67.9	106.4	120.5	130.5
Minority int. & other (US$m)	-	-	-	-	-
Liabilities+equity (US$m)	**140.3**	**133.9**	**269.9**	**276.5**	**246.5**

Source: SCP estimates

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Summary of Recommendations as of May 2024	
BUY:	55
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	3
NOT RATED:	0
TOTAL	58

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