



## **Management's Discussion and Analysis**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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## INTRODUCTION

This Management's Discussion and Analysis ("MD&A") for Andean Precious Metals Corp. ("Andean" or the "Company") should be read in conjunction with Andean's audited consolidated financial statements and related notes for the year ended December 31, 2021 (the "Financials"), which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company uses certain non-IFRS financial measures in this MD&A, as described under "Non-IFRS Measures". Additional information on Andean is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.andeanpm.com](http://www.andeanpm.com).

This MD&A contains "forward-looking statements" subject to risk factors about the Company's future or expected financial condition, results of operation or business. Please refer to "Forward-Looking Statements" and "Risk Factors". All dollar amounts are presented in United States dollars, unless otherwise stated. This MD&A is dated as of March 17, 2022 and all information is current as of such date unless otherwise indicated.

## BUSINESS DESCRIPTION

Andean is a silver producer and explorer with operations located in Bolivia. Through its wholly owned subsidiary, Empresa Minera Manquiri S.A. ("Manquiri"), Andean produces silver primarily through contracts with the state-owned mining company, Corporación Minera de Bolivia ("COMIBOL"). Andean also purchases mineralized ore from third-party mining cooperatives and privately held mining companies. Ore processing takes place at the San Bartolomé plant, which is the only large-scale commercial oxide plant in Bolivia. The San Bartolomé plant produces silver doré bars and has a design capacity of 1.8 million tonnes of ore per year. Andean also holds a portfolio of active exploration properties also located in Bolivia.

Andean's mission and strategic focus is to expand its precious metals production safely, sustainably and responsibly through the acquisition of complementary projects in Bolivia and in South and Central America.

On March 19, 2021, Andean completed a reverse take-over transaction (the "RTO Transaction") with 1254688 B.C. Ltd. in accordance with the policies of the TSX Venture Exchange ("TSX-V"). On March 29, 2021, Andean's common shares commenced trading on the TSX-V under the symbol APM. Andean's common shares also trade on the OTCQB Venture Market ("OTCQB") under the symbol ANPMF.

## 2021 HIGHLIGHTS

### Safety excellence continues

- Strong environmental and safety performance approaching three years without a lost time incident.
- No serious COVID-19 cases or related fatalities. As of the date of this MD&A, our employee COVID-19 vaccination rate is 98% with at least one dose; 95% with two doses; 21% with three doses.
- Total Recordable Incident Frequency/Rate ("TRIFR") of 0.28 per 200,000 hours worked, lower than industry average.

### Operational consistency

- Annual production of 5.8 million silver equivalent ounces<sup>(1)</sup>, compared to full year 2021 guidance of 5.8 to 6.1 million silver equivalent ounces.
- Processing plant throughput increase of 16% to 1.7 million tonnes in 2021, up from 1.5 million tonnes in 2020.

### Strong profitability and EBITDA

- Revenues of \$144.2 million from sales of 5.8 million silver equivalent ounces<sup>(1)</sup>, compared with \$130.7 million from sales of 6.0 million silver equivalent ounces in 2020.
- All-in sustaining costs ("AISC")<sup>(2)</sup> per silver ounce sold of \$18.17, compared to full year 2021 guidance of \$17.50 to \$19.50 per ounce.
- Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")<sup>(2)</sup> of \$34.4 million, compared with \$39.7 million in 2020.

### Robust cash flow generation and financial liquidity

- Free cash flow<sup>(2)</sup> of \$30.0 million, compared with \$35.3 million in 2020.
- December 31, 2021 ending cash balance of \$87.3 million with no debt.

### Updated resource estimate

- Effective December 31, 2021, Andean's measured and indicated resources estimate is 27.5 million ounces of silver and 11.9 thousand tonnes of tin. Refer to "Mineral Resource Statement" for details.
- Inferred resource estimate of 3.8 million ounces of silver and 1.3 thousand tonnes of tin.
- Preliminary economic assessment ("PEA") on fines disposal facility ("FDF") to be completed during Q2 2022.

### Exploration and mine life extension projects

- Andean completed over 5,700 metres of drilling in 2021 at the San Pablo and Rio Blanco gold exploration properties.
- Based on the results of recently completed geophysics studies at the end of 2021, Andean announced a 15,000 metre Phase II drilling program at San Pablo targeting a large porphyry gold system.

### Corporate activities

- On September 21, 2021, Andean appointed Mr. Simon Griffiths as President and CEO.
- On March 29, 2021, Andean's common shares began trading on the TSX-V under the symbol APM.

<sup>(1)</sup> Silver equivalent ounces include gold ounces and are converted to a silver equivalent based on a ratio of realized silver and gold prices during the periods discussed. Refer to the "Non-IFRS Measures" section of the MD&A for further detail on Andean's realized silver and gold prices.

<sup>(2)</sup> Free cash flow ("FCF"), AISC, EBITDA and Adjusted EBITDA are measures of financial performance with no prescribed definition under IFRS. Refer to the "Non-IFRS Measures" section of the MD&A for further detail, including a reconciliation of these metrics to the Financials.

## 2022 OUTLOOK AND GUIDANCE

During 2022, Andean will continue to process ore from its surface deposits (termed “Pallacos”) at San Bartolomé and will begin to reclaim silver bearing mine waste stockpiles at Tatasi-Portugalete. Andean will also continue to purchase ore from its community mining partners. At Cachi Laguna, remaining tonnes under Andean’s purchase contract with RALP Compañía Minera S.R.L. (“RALP”) will be fully depleted in early 2022 as planned.

At San Bartolomé, Andean is advancing its recently announced Expansion Study, targeting completion of a PEA on the FDF by Q2 2022. Andean has recently released a Mineral Resource Estimate (“MRE”) prepared by SRK Consulting (U.S.) Ltd. (“SRK”) for San Bartolomé, effective December 31, 2021. The MRE includes measured and indicated resource estimates of 16.2 million ounces of silver and 11.9 thousand tonnes of tin contained in the FDF, as well as an updated Pallacos resource. A technical report on the MRE, in accordance with Canadian securities law, will be filed on SEDAR within 45 days of Andean’s press release on February 9, 2022. Andean is also reviewing opportunities at its dry-stack tailings facility (“DSF”), also expected to contain silver and tin material, and will release results from the DSF drilling program as they become available in 2022.

Andean completed geophysical surveys with Quantec Geoscience’s Titan 24 DCIP and magnetotelluric technology (“MT”) at its San Pablo exploration property in Q4 2021. Low resistivity and chargeability anomalies were identified and a second stage drilling program is planned targeting the primary anomalies. Up to 15,000 metres are budgeted based on the results. Additionally, Andean continues to pursue exploration opportunities at its Rio Blanco property.

San Bartolomé is the only large-scale commercial oxide processing plant in the country. Andean continues to leverage this opportunity to expand its ore sourcing business and is also assessing acquisition opportunities in South and Central America.

Andean’s production for fiscal 2022 is expected to result in silver equivalent production of 5.3 to 5.8 million ounces at an AISC (by-product) of \$17.25 to \$18.75 per silver ounce sold. The following table sets out Andean’s production and AISC guidance for 2022 along with its results for 2021:

	<b>2022 Guidance<sup>(1)</sup></b>	2021 Actual
Silver equivalent production	<b>5.3M to 5.8M oz</b>	5.8M oz
AISC (by-product)	<b>\$17.25 to \$18.75/Ag oz</b>	\$18.17/Ag oz

<sup>(1)</sup> Andean’s commodity price assumptions supporting this estimate are \$23.00/ounce silver and \$1,750/ounce gold.

## FINANCIAL AND OPERATIONAL RESULTS

	Q4 2021	Q4 2020	FY 2021	FY 2020
<b>Operational Performance</b>				
Mined ore <sup>(1)</sup> (k dmt)	401	647	1,768	2,235
Average ore mined grade (Ag g/t)	74	103	92	96
Purchased ore <sup>(2)</sup> (k dmt)	151	169	546	421
Average purchased ore grade (Ag g/t)	205	194	201	220
Ore milled (k dmt)	424	421	1,715	1,484
Daily average throughput (dmt)	4,840	4,725	4,942	4,667
Average head grade (Ag g/t)	112	140	115	132
Silver recovery (%)	83	84	84	87
Silver production (k ozs)	1,271	1,588	5,358	5,473
Gold production (ozs)	1,392	2,205	6,075	5,335
Silver equivalent production <sup>(3)</sup> (k ozs)	1,379	1,754	5,791	5,896
Silver sales (k ozs)	1,240	2,011	5,366	5,516
Gold sales (ozs)	1,313	2,835	5,888	6,198
Silver equivalent sales <sup>(3)</sup> (k ozs)	1,341	2,224	5,783	6,006

<b>Silver equivalent production breakdown by source (k oz)</b>				
Pallacos	464	700	2,033	2,755
Mine reclamation stockpiles	51	201	788	366
Cachi Laguna	166	116	603	615
Oxide purchases	698	737	2,367	2,160
Total	1,379	1,754	5,791	5,896

	Q4 2021	Q4 2020	FY 2021	FY 2020
<b>Financial Performance</b>				
Revenue	\$ 31,131	\$ 55,568	\$ 144,207	\$ 130,672
Cost of sales	\$ 21,382	\$ 32,830	\$ 95,013	\$ 82,697
Income from mine operations	\$ 6,587	\$ 20,462	\$ 38,806	\$ 37,615
Net income	\$ 74	\$ 39,014	\$ 4,268	\$ 45,959
Net income per share				
-Basic	\$ 0.00	\$ 0.33	\$ 0.03	\$ 0.38
-Diluted	\$ 0.00	\$ 0.33	\$ 0.03	\$ 0.38
Net cash from operating activities	\$ 5,569	\$ 23,908	\$ 33,615	\$ 37,436
Free cash flow <sup>(4)</sup>	\$ 4,772	\$ 23,211	\$ 30,009	\$ 35,257
Adjusted EBITDA <sup>(4)</sup>	\$ 5,411	\$ 20,999	\$ 34,429	\$ 39,672
Ending cash and cash equivalents	\$ 87,276	\$ 38,537	\$ 87,276	\$ 38,537
Capital expenditures	\$ 797	\$ 697	\$ 3,606	\$ 2,179
Cash operating costs (by-product) <sup>(4)</sup>	\$ 15.34	\$ 13.68	\$ 15.77	\$ 13.06
All-in sustaining costs (by-product) <sup>(4)</sup>	\$ 18.47	\$ 15.18	\$ 18.17	\$ 14.75

<sup>(1)</sup> Mined ore includes ore mined from the Company's permitted areas, including Santa Rita, Huacajchi, Antuco, El Asiento, and Monserrat during 2021 and 2020. Mined ore is reported as ROM.

<sup>(2)</sup> Purchased ore includes oxidized material purchased from local mining cooperatives as well as through the Company's contract with RALP.

<sup>(3)</sup> Silver equivalent production and silver equivalent sales include gold production and sales, respectively. Equivalent ounces are calculated using the Company's realized gold and silver prices during the referenced period. Refer to the "Non-IFRS Measures" section of the MD&A for further detail on Andean's realized silver and gold prices.

<sup>(4)</sup> FCF, EBITDA, Adjusted EBITDA, Cash operating costs ("COC") and AISC are non-IFRS measures. Please see the "Non-IFRS Measures" section of this MD&A for further detail and reconciliation to the Financials.

## SAN BARTOLOMÉ OPERATING RESULTS

San Bartolomé is located 5 km outside of the city of Potosí, Bolivia and accessed by paved roads. Andean's operations, including its processing plant with a design capacity of 1.8 million tonnes per annum, encompass an area of over 1,800 hectares.

Andean extracts ore in partnership with the state-owned mining company, COMIBOL. Under a production agreement, the Company currently pays production royalties to COMIBOL in return for the rights to mine, transport and process mineralized Pallacos within the Santa Rita, Huacajchi and Antuco sectors, as well as the El Asiento area through 2021. Production from the Tatasi-Portugalete area, approximately 350 kms south of San Bartolomé, was also previously consolidated under Manquiri's production contract with COMIBOL. In early 2022, negotiations were completed with the Tatasi-Portugalete community to enter into a fixed rate production contract, replacing the previous agreements with COMIBOL.

At Cachi Laguna, Andean has a contract with RALP, a privately held Bolivian company, to purchase and transport a fixed number of tonnes of high-grade gold and lesser silver bearing ore to the San Bartolomé plant for processing. The underlying mineral rights of Cachi Laguna are held by RALP through contracts with COMIBOL. This production contract is expected to be fully depleted in March 2022 and Andean is in discussions with RALP to pursue an exploration campaign.

Andean also maintains various agreements to purchase oxidized, precious metal-bearing material from local miners at market rates for processing at the San Bartolomé plant. Additional ore purchase opportunities in Bolivia are continually being evaluated by Andean's dedicated ore purchasing team.

During the quarter ended December 31, 2021, Andean mined 0.4 million tonnes with an average silver grade of 74 g/t and purchased 0.2 million tonnes with an average silver grade of 205 g/t, compared with 0.6 million tonnes mined with an average silver grade of 103 g/t and 0.2 million tonnes purchased with an average silver grade of 194 g/t during the quarter ended December 31, 2020. Of this material, Andean processed 0.4 million tonnes through the San Bartolomé plant during the quarter ended December 31, 2021 and 2020.

The average silver head grade realized during the quarter ended December 31, 2021 was 112 g/t compared with 140 g/t during the comparable period in 2020. The lower head grade realized in 2021 was a result of processing lower grade mined and purchased material during 2021 as compared to 2020. Silver recoveries reported were 83% during the quarter ended December 31, 2021, compared to 84% during the quarter ended December 31, 2020.

During the year ended December 31, 2021, Andean mined 1.8 million tonnes with an average silver grade of 92 g/t and purchased 0.5 million tonnes with an average silver grade of 201 g/t, compared with 2.2 million tonnes mined with an average silver grade of 96 g/t and 0.4 million tonnes purchased with an average silver grade of 220 g/t during the year ended December 31, 2020. Andean processed 1.7 million tonnes through the San Bartolomé plant during the year ended December 31, 2021 compared with 1.5 million tonnes during the year ended December 31, 2020.

The average silver head grade realized during the year ended December 31, 2021 was 115 g/t compared with 132 g/t during the comparable year ended December 31, 2020. The lower head grade realized in 2021 was primarily driven by lower grades of mined and purchased material during 2021 as compared to 2020. Silver recoveries reported were 84% during the year ended December 31, 2021, compared to 87% during the year ended December 31, 2020. Changes in recovery were driven primarily by lower grades of mill feed in 2021.

Effective December 31, 2021, Andean released its updated MRE, incorporating silver and tin resources contained in the Company's stockpiles at the FDF as well as an updated resource for the Pallacos areas. The measured and

indicated resource at Tatasi-Portugalete was unchanged from the resource estimate completed in 2020. At the FDF, Andean has estimated measured and indicated resources of 16.2 million ounces of silver and 11.9 thousand tonnes of tin contained in 10.15 million tonnes of ore grading 50 g/t silver and 0.12% tin. This represents 87% of the total material in the FDF, the balance of which remains inferred due to delays in receiving assays. Andean has also commenced drilling of the DSF to evaluate quantities and grades of tin expected in DSF material. The DSF contains approximately 18 million tonnes of dry tailings from which silver, but not tin have been recovered. Material in the DSF was not included in the MRE. Andean expects to begin releasing drill results and data from the DSF in early 2022.

## EXPLORATION ACTIVITIES

The Company has rights to two exploration projects in Bolivia where the Company has commenced exploration drilling. The priority exploration target areas are at San Pablo where porphyry style mineralisation is being targeted.

### *San Pablo Exploration Project (100% owned)*

The San Pablo Project in the Province of Antonio Quijarro, Department of Potosí comprises 650 hectares. San Pablo is located approximately 100 km southwest of the San Bartolomé operations, in the southern part of the prolific tin-silver and polymetallic belt that hosts several of Bolivia's largest deposits. Gold mineralisation at San Pablo is hosted by diamictites (pebble sandstones of glacio-marine origin) of the Silurian Cancañiri Formation over a large area of at least 2.5 km elongated northwest by 1.5 km wide. The gold mineralisation is related to sulphides in narrow sheeted veins and veinlets, as well as wider discrete veins, and in sulphide-cemented breccias. Veining is related to pervasive silica-sericite alteration which overprints secondary biotite alteration that outcrops at lower elevations and is seen in drill core. The dominant sulphides are pyrrhotite, arsenopyrite and bismuth sulphides, which, together with the geochemical association of gold with arsenic, bismuth and antimony, are characteristic of reduced intrusion-related gold deposits.

From February to May 2021, the Company completed its first phase of its diamond drilling program at the San Pablo project, drilling 3,580 meters. The Company carried out geophysical surveys on the property during Q4 2021, using Quantec Geoscience's Titan-24 DCIP and deep MT. Upon completion of analysis of the results, the Company plans to drill the identified anomalies with deep drill holes. A program of up to 15,000 metres is planned based on the results of the final 3D geophysical model.

### *Rio Blanco Exploration Project (100% owned)*

Rio Blanco hosts an orogenic gold target hosted in a Paleozoic-aged sequence of tightly folded silty sandstone and shale. Gold-bearing quartz vein and stockwork zones within the sedimentary sequence are known to extend 7 km along strike, along the steep, east-dipping limb of an asymmetrical anticline. The Company believes Rio Blanco has potential for a sizable gold deposit based on geologic observation, trenching and channel sampling conducted by past operators. The project is located approximately 117 km south of the San Bartolomé operations.

Andean has completed trench sampling as well as building access roads to the Rio Blanco property for further exploration activity. Trench samples are currently being analyzed and mapping continues. To date, the Company has drilled 2,150 metres at Rio Blanco. Andean is actively engaged with the local community and expects to re-start exploration work in H2 of 2022.



## COVID-19

Andean's protocols and procedures in response to the Global COVID-19 Pandemic ("Pandemic") have minimized the impacts on the business. We continue to manage the Pandemic by working closely with our local communities and employees in managing this unprecedented challenge. Andean's ongoing vigilance around social distancing, screening and contact tracing has allowed the Company to continue operations with minimal disruptions and deliver strong operating cash flow since the onset of the Pandemic.

Andean is safeguarding the health of employees, while continuing to operate safely, and responsibly. The Company continues to take comprehensive and proactive measures to respond to the Pandemic; and is working closely with local governments and authorities to ensure proper health protocols are followed. In Bolivia, Manquiri's employees have a vaccination rate of 98% with at least one dose; 95% with a full series and 21% with a third booster. To date, there have been no serious cases requiring hospitalization for COVID-19 or related fatalities at Andean's operations.

The Company continues reviewing operational plans to offset any negative effects of the Pandemic and actively managing operating costs while focusing on productivity and cost efficiencies. Capital expenditures and greenfield exploration are also being reviewed.

## TRENDS AND ECONOMIC CONDITIONS

For the three months ended December 31, 2021, the spot price of silver fluctuated between a low of \$21.81 per ounce and a high of \$25.27 per ounce. The average spot silver price for the three months ended December 31, 2021 was \$23.32 per ounce, a decrease of \$1.07 per ounce from the comparative prior year period of \$24.39 per ounce.

For the year ended December 31, 2021, the spot price of silver fluctuated between a low of \$21.53 per ounce and a high of 29.59 per ounce. The average spot silver price for the year ended December 31, 2021 was 25.04 per ounce, an increase of \$4.49 per ounce from the comparative prior year period of \$20.55 per ounce.

Andean regularly monitors economic conditions and estimates their impact on its operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

## FINANCIAL RESULTS

*Quarter ended December 31, 2021 compared to quarter ended December 31, 2020*

Andean had a net income of \$0.1 million for the quarter ended December 31, 2021, with basic earnings per share of \$0.00 and diluted earnings per share of \$0.00. This compares with net income of \$39.0 million for the quarter ended December 31, 2020, with basic and diluted loss per share of \$0.33. Higher net income for the quarter ended December 31, 2020 was primarily driven by the recognition of \$19.0 million of deferred tax assets due to the expected usage of loss carryforwards as well as an increase in income from operations driven by higher silver prices and ounces sold from production built up in prior quarters. Details on these factors are as follows:

### **Revenues**

Revenues for the quarter ended December 31, 2021 were \$31.1 million compared to \$55.6 million during the quarter ended December 31, 2020. Andean sold 1.3 million silver equivalent ounces during the quarter ended December 31, 2021 at an average realized price of \$23.21 per silver ounce compared with 2.2 million silver equivalent ounces during the quarter ended December 31, 2020 at an average realized price of \$24.99 per silver ounce.

***Cost of sales***

Cost of sales, which comprise the full cost of operations excluding depreciation and depletion, were \$21.4 million during the quarter ended December 31, 2021 compared to \$32.8 million during the quarter ended December 31, 2020. Cost of sales consists of direct costs and mining royalty taxes.

Direct costs, consisting of costs attributable to the Company's mining, ore purchasing and plant operations, were \$18.9 million during the quarter ended December 31, 2021 compared to \$29.3 million during the quarter ended December 31, 2020. Operating costs are recognized on a sales basis, and decreased year over year due to the lower volume of inventory sold.

Mining royalty taxes were \$2.5 million during the quarter ended December 31, 2021 compared to \$3.5 million during the quarter ended December 31, 2020. Mining royalty taxes include export taxes and production royalties payable to COMIBOL on certain production areas, both of which are determined by a fixed percentage of gross sales. The decrease in mining royalty taxes is primarily attributable to lower revenues realized during Q4 2021.

***Depreciation and depletion***

Depreciation and depletion costs form a component of operating costs and were \$3.2 million during the quarter ended December 31, 2021 compared to \$2.3 million during the quarter ended December 31, 2020. The increase in depreciation and depletion costs is primarily attributable to the increase in processed mineral reserves at the Pallacos and Cachi Laguna in the fourth quarter of 2021 compared to 2020.

***General and administrative expenses***

General and administrative expenses increased to \$3.4 million during the quarter ended December 31, 2021 compared to \$2.0 million during the quarter ended December 31, 2020 due to increased expenses of \$0.8 million for salaries and office administration and \$0.6 million for non-cash share-based compensation.

***Exploration expenses***

Exploration and evaluation expenditures increased to \$0.9 million for the quarter ended December 31, 2021, consisting primarily of exploration drilling at the FDF, as well as geophysical investigations at the Company's San Pablo properties, compared to \$0.1 million during the three months ended December 31, 2020.

***Other income***

Other income decreased to \$0.7 million during the quarter ended December 31, 2021 compared to other income of \$1.7 million during the quarter ended December 31, 2020. The primary driver of other income for the quarter ended December 31, 2021 was a \$1.1 million fair value gain recognized on the Company's holdings of common shares of Santacruz Silver ("Santacruz").

***Finance costs***

The Company incurred finance costs of \$0.4 million for accretion on its decommissioning liabilities during the quarter ended December 31, 2021. This compares to finance costs of \$0.4 million during the quarter ended December 31, 2020 driven by interest expenses from credit facilities and accretion on decommissioning liabilities.

***Foreign exchange loss (gain)***

The Company recorded a loss on the revaluation of accounts denominated in foreign currencies of \$0.1 million during the quarter ended December 31, 2021 compared to a gain of \$0.3 million during the quarter ended December 31, 2020.

***Current income taxes***

The Company recorded \$2.7 million of income tax expenses on Bolivian source income during the quarter ended December 31, 2021. Current income taxes were not recognized in 2020 due to the Company's tax loss carryforward balance at that time. The Company's effective tax rate realized is impacted by the non-deductibility of certain expenditures and a statutory income tax rate of 32.5% in Bolivia. The Company has identified opportunities to reduce non-deductible expenditures in Bolivia and aims to reduce such expenditures in fiscal 2022.

***Deferred income taxes***

The Company recorded a deferred income tax recovery of \$0.4 million during the quarter ended December 31, 2021 compared to deferred income tax recovery of \$19.0 million during the quarter ended December 31, 2020. A deferred tax recovery was recognized in fiscal 2020 as a result of the expected usage of Bolivian tax loss carryforwards to offset taxable profits. During fiscal 2021, the usage of these carryforwards resulted in the recognition of deferred income tax expenses.

***Year ended December 31, 2021 compared to December 31, 2020***

Consolidated operating results for the year ended December 31, 2021 were generally not comparable to the year ended December 31, 2020 due to the Pandemic and the resulting government mandated shutdown in April 2020. San Bartolomé resumed operations in early May 2020.

The Company had a net income of \$4.3 million for the year ended December 31, 2021, with basic earnings per share of \$0.03 and diluted earnings per share of \$0.03. This compares with net income of \$46.0 million for the year ended December 31, 2020, with basic and diluted earnings per share of \$0.38. Changes in net income were driven primarily by deferred taxes, including the recognition of a \$19.0 million deferred tax asset in 2020 related to the recognition of loss carryforwards, and the consumption of these loss carryforwards in 2021 for \$12.8 million. Details on these factors are as follows:

***Revenues***

Revenues for the year ended December 31, 2021 were \$144.2 million compared to \$130.7 million during the year ended December 31, 2020. The Company sold 5.8 million silver equivalent ounces during the year ended December 31, 2021 at an average realized price of \$24.94 per silver ounce, compared with 6.0 million silver equivalent ounces during the year ended December 31, 2020 at an average realized price of \$21.76 per silver ounce.

***Cost of sales***

Cost of sales, which comprise the full cost of operations excluding depreciation and depletion, were \$95.0 million during the year ended December 31, 2021 compared to \$82.7 million during the year ended December 31, 2020. Cost of sales consists of direct costs and mining royalty taxes.

Direct costs, consisting of costs attributable to the Company's mining, ore purchasing and plant operations, were \$82.9 million during the year ended December 31, 2021 compared to \$71.7 million during the year ended December

31, 2020. Direct costs increased year over year due to the higher volume ore purchases compared to ore mined from the pallacos and associated haulage costs in 2021 compared with 2020.

Mining royalty taxes were \$12.1 million during the year ended December 31, 2021 compared to \$11.0 million during the year ended December 31, 2020. Mining royalty taxes include export taxes and production royalties payable to COMIBOL on certain production areas, both of which are determined by a fixed percentage of sales. The increase in royalty taxes is primarily attributable to higher revenues realized during 2021.

### ***Depreciation and depletion***

Depreciation and depletion costs form a component of cost of sales and were \$10.4 million during the year ended December 31, 2021 compared to \$10.4 million during the year ended December 31, 2020.

### ***General and administrative expenses***

General and administrative expenses increased to \$14.7 million during the year ended December 31, 2021 compared to \$6.0 million during the year ended December 31, 2020. As a result of the Company's public listing in March 2021, general and administrative expenses increased during the year ended December 31, 2021 driven by new executive management in addition to regulatory and compliance costs. The significant components of the increased expenses include RTO Transaction costs of \$3.5 million, non-cash share-based compensation of \$2.0 million, salaries and office administration of \$2.2 million, one-time severance costs of \$0.7 million and additional corporate development of \$0.2 million.

### ***Exploration and evaluation expenses***

Exploration and evaluation expenditures increased to \$3.9 million for the year ended December 31, 2021, consisting primarily of exploration drilling, geophysics and related expenditures on the FDF, San Pablo and Rio Blanco properties, compared to \$1.9 million during the year ended December 31, 2020 consisting primarily of \$1.5 million in acquisition costs for Minera Pukaraju SA, which holds exploration rights to the San Pablo property.

### ***Other loss (income)***

Other loss increased to \$2.4 million during the year ended December 31, 2021 compared to other income of \$0.5 million during the year ended December 31, 2020. The primary driver of other loss for the year ended December 31, 2021 was a loss in fair value of \$2.5 million in marketable securities of Santacruz. The primary driver of other income in the year ended December 31, 2020 was the gain in fair value of \$1.7 million in marketable securities of Santacruz offset by the net impact of \$1.8 million in care and maintenance costs incurred during the Bolivian mandated COVID-19 shutdown in April 2020.

### ***Finance costs***

The Company incurred finance costs of \$1.3 million from accretion on decommissioning liabilities during the year ended December 31, 2021. This compares to \$3.8 million during the year ended December 31, 2020 related to accretion and interest expenses on credit facilities. The decrease in finance costs in 2021 was primarily due to the Company's repayment of credit facilities in full by the end of fiscal 2020.

### ***Reversal of Santacruz loan impairment***

The Company recorded a recovery on the 2018 Santacruz loan receivable ("Santacruz Loan") of \$3.3 million for the year ended December 31, 2021. The Santacruz Loan was impaired on December 31, 2018 due to expected lifetime

credit losses and was settled on June 7, 2021 with 9,907,530 common shares of Santacruz and \$0.3 million cash. This compares to a \$0.3 million impairment on the Santacruz Loan for the year ended December 31, 2020 related to accrued interest charges.

***Foreign exchange loss (gain)***

The Company recorded a loss on the revaluation of accounts denominated in foreign currencies of \$0.4 million during the year ended December 31, 2021 compared to a gain of \$0.8 million during the year ended December 31, 2020 due to fluctuations in exchange rates.

***Current income taxes***

The Company recorded \$2.9 million of income taxes on Bolivian source income during the year ended December 31, 2021. Current income taxes were not recognized for the year ended December 31, 2020, primarily due to the Company's tax loss carryforward balance. The Company's effective tax rate realized is impacted by the non-deductibility of certain expenditures and the statutory income tax rate of 32.5% in Bolivia. The Company has identified opportunities to reduce non-deductible expenditures in Bolivia and aims to reduce such expenditures in fiscal 2022.

***Deferred income taxes***

The Company recorded deferred income tax expense of \$12.8 million during the year ended December 31, 2021 compared to \$19.0 million deferred income tax recovery during the year ended December 31, 2020. A deferred tax recovery was recognized in fiscal 2020 as a result of the expected usage of Bolivian tax loss carryforwards to offset taxable profits. During fiscal 2021, the usage of these carryforwards resulted in the recognition of deferred income tax expenses.

*Review of the statement of financial position as at December 31, 2021 compared to December 31, 2020*

	<b>December 31, 2021</b>	December 31, 2020
<b>Assets</b>		
Current	\$ <b>105,144</b>	\$ 70,145
Non-current	\$ <b>35,149</b>	\$ 45,638
Total	\$ <b>140,293</b>	\$ 115,783
<b>Liabilities</b>		
Current	\$ <b>19,434</b>	\$ 24,695
Non-current	\$ <b>18,301</b>	\$ 16,844
Total	\$ <b>37,735</b>	\$ 41,539

Current assets increased from \$70.1 million as at December 31, 2020 to \$105.1 million as at December 31, 2021 primarily as a result of an increase in cash and cash equivalents of \$48.7 million due to cash flow from operations of \$33.6 million, \$19.4 million from private placements offset by \$3.4 in capital expenditures and investment in Santacruz warrants of \$0.7 million. Marketable securities increased by \$1.7 million due to the holdings of Santacruz shares. Restricted cash decreased by \$9.6 million as funds from the August 2020 private placement were released as part of the RTO Transaction. Inventory decreased by \$2.6 million as ore stockpiles were utilized. The current portion of VAT receivables decreased by \$3.2 million as a result of recategorization as non-current due to delays in processing returns by Bolivian tax authorities.

Non-current assets decreased from \$45.6 million at December 31, 2020 to \$35.1 million as at December 31, 2021 due to a decrease in property plant and equipment of \$5.4 million due to depreciation and depletion of \$10.4 offset by capital purchases of \$3.7 million and increase in decommission liability of \$1.3 million. Deferred tax assets decreased by \$12.7 million due to the usage of Bolivian tax loss carryforwards to offset taxable profits. Non-current VAT receivables increased by \$8.1 million due to delays in processing returns by Bolivian tax authorities.

Current liabilities decreased from \$24.7 million as at December 31, 2020 to \$19.4 million as at December 31, 2021 primarily as a result of a decrease in subscription receipt liabilities of \$10.0 million from the August 2020 private placement was released as part of the RTO Transaction. Accounts payable and accrued liabilities increased by \$0.6 million due to payment timing. Income taxes payable increased by \$2.9 million on Bolivian source income. Current decommissioning liabilities increased by \$0.7 million for budgeted rehabilitation activities in 2022.

Non-current liabilities increased from \$16.8 million as at December 31, 2020 to \$18.3 million as at December 31, 2021 due to an increase in decommissioning liabilities of \$1.5 million.

## LIQUIDITY AND CAPITAL RESOURCES

### *Capital Resources*

Historically, the Company's principal sources of liquidity have been from cash generated from operations, cash raised from equity financing, and cash borrowed from commercial banks in Bolivia. The Company's liquidity primarily depends on its ability to generate cash flow from its operations, as well as the Company's future operating and capital expenditure requirements. Management expects that the Company's ongoing liquidity requirements will be funded primarily from cash generated from operations. However, the Company may seek further financing, as required, to advance growth projects, including acquisitions.

The Company's ability to generate sufficient cash is dependent on a number of factors, including the acquisition or discovery of economically recoverable reserves and resources, the market price of silver and the ability of the Company to sustain profitable operations. If required, the Company's ability to secure adequate financing is dependent on overall market conditions, commodity prices and other factors that may be outside the Company's control. There is no guarantee that the Company would be able to secure any or all necessary financing in the future.

### *Cash Flow*

	Year ended	
	December 31, 2021	December 31, 2020
Cash flows from operating activities	\$ 33,615	\$ 37,436
Cash flow (used in) from investing activities	\$ (3,911)	\$ 30,243
Cash flow from (used in) financing activities	\$ 19,401	\$ (43,993)

At December 31, 2021, the Company had cash of \$87.3 million compared to \$38.5 million at December 31, 2020. The increase in cash of \$48.7 million from December 31, 2020 was a result of cash inflows from operating activities of \$33.6 million, cash outflows from investing activities of \$3.9 million and cash inflows from financing activities of \$19.4 million, as well as a \$0.4 million loss due to exchange rate changes on cash holdings.

Cash flow from operating activities for the year ended December 31, 2021 was \$3.8 million lower than the year ended December 31, 2020, driven by increases of \$3.0 million in cash used for general and administrative expenses, \$2.0 million for exploration and evaluation costs due to drilling, geophysics and related expenditures related to the



FDF, San Pablo and Rio Blanco, and \$0.3 million in working capital changes. These changes were offset by \$0.5 million higher income from mine operations and \$0.3 million from the Santacruz Loan cash settlement.

Cash used for investing activities for the year ended December 31, 2021 was \$3.9 million which included \$3.4 million for capital expenditures and \$0.6 million in exercising warrants to purchase common shares of Santacruz Silver. This compares to cash from investing activities of \$30.2 million for the year ended December 31, 2020 which included \$33.1 million related to the release of cash pledged as security for the Greenteck loan, offset by \$2.2 million for capital expenditures and \$0.7 million invested in Santacruz shares.

Cash from financing activities in 2021 consisted primarily of \$19.6 million raised from private placements in August 2020 and February 2021, net of transaction costs, which were released on the completion of the RTO Transaction. This compares to cash used in financing activities of \$44.0 million in 2020 due primarily to the repayment of \$44.3 million in loans.

*Cash and Working Capital*

The Company had positive net working capital of \$85.7 million as at December 31, 2021, consisting of current assets of \$105.1 million less current liabilities of \$19.4 million.

*Contractual Obligations and Operating Commitments*

A summary of contractual obligations and operating commitments as at December 31, 2021, are as follows:

	<b>Total</b>	<b>Within 1 year</b>	<b>1 - 2 years</b>	<b>3 - 5 years</b>	<b>Greater than 5 years</b>
Decommissioning liability <sup>(1)</sup>	\$ 23,675	\$ 734	\$ 891	\$ 21,906	\$ 144
Other provisions	3,910	3,910	-	-	-
	\$ 27,585	\$ 4,644	\$ 891	\$ 21,906	\$ 144

<sup>(1)</sup> The decommissioning liability represents the undiscounted amount of the estimated cash flows required to settle the mine closure obligations of the San Bartolomé mine.

**SELECTED ANNUAL FINANCIAL INFORMATION**

	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>Financial Performance</b>			
Revenue	\$ 144,207	\$ 130,672	\$ 88,655
Income from mine operations	\$ 38,806	\$ 37,615	\$ (3,144)
Net (loss) income	\$ 4,268	\$ 45,959	\$ (12,801)
Net (loss) income per share			
-Basic	\$ 0.03	\$ 0.38	\$ (0.11)
-Diluted	\$ 0.03	\$ 0.38	\$ (0.11)
Total assets	\$ 140,293	\$ 115,783	\$ 100,840
Total non-current liabilities	\$ 18,301	\$ 16,844	\$ 22,558

## SUMMARY OF QUARTERLY RESULTS

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	\$ 31,131	\$ 36,691	\$ 38,038	\$ 38,347
Net income (loss)	\$ 74	\$ 1,846	\$ 3,871	\$ (1,523)
Earnings (loss) per share				
Basic	\$ 0.00	\$ 0.01	\$ 0.02	\$ (0.01)
Diluted	\$ 0.00	\$ 0.01	\$ 0.02	\$ (0.01)
Total assets	\$ 140,293	\$ 137,472	\$ 132,350	\$ 127,713
Total financial liabilities	\$ 37,735	\$ 35,350	\$ 32,428	\$ 11,308

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	\$ 55,567	\$ 38,105	\$ 12,584	\$ 24,416
Net income (loss)	\$ 39,014	\$ 4,685	\$ (253)	\$ 2,513
Earnings (loss) per share				
Basic	\$ 0.33	\$ 0.04	\$ (0.00)	\$ 0.02
Diluted	\$ 0.33	\$ 0.04	\$ (0.00)	\$ 0.02
Total assets	\$ 115,783	\$ 80,457	\$ 103,110	\$ 100,776
Total financial liabilities	\$ 41,539	\$ 23,705	\$ 72,991	\$ 48,359

## RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### *Ultimate Controlling Shareholder*

The ultimate controlling shareholder is PMB Partners LP, a Canadian partnership.

### *Key Management Personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers, including officers at its subsidiaries. Management fees are payable to companies controlled by the Executive Chairman of the Company and includes administrative costs and salaries and benefits of certain key management in addition to other operational and administrative staff.

The total compensation paid or payable to key management amounted to:

	FY 2021	FY 2020
Management fees	\$ 3,255	\$ 2,850
RTO Transaction costs	520	600
Salaries and benefits	1,722	512
Severance costs	560	-
Stock-based compensation	1,989	-
Total	\$ 8,046	\$ 3,962

## NON-IFRS MEASURES

### *COC, AISC and AIC*

COC, AISC and all-in costs ("AIC") are non-IFRS performance measures set out under a guidance note released by the World Gold Council in September 2013 and updated in November 2018. These measures are used by



management to assess the Company's performance and its expected future performance; however, these measures do not have any standardized meaning. As such, there are likely to be differences in the method of computation when compared to similar measures presented by other issuers. Accordingly, these measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

COC include total production cash costs incurred at the Company's mining operations, which form the basis of the Company's cash costs, less by-product revenues from gold sales. AISC includes COC plus sustaining capital expenditures, general and administrative expenses, sustaining exploration and evaluation costs and reclamation cost accretion. Reclamation and closure costs represent the gradual unwinding of the discounted liability to rehabilitate the area around the San Bartolomé Mine at the end of its mine life. The Company believes that AISC represents the total costs of producing silver from current operations and provides the Company and other stakeholders of the Company with additional information relating to the Company's operational performance and ability to generate cash flows. AIC represents AISC plus non-sustaining exploration and evaluation costs. Non-sustaining exploration and evaluation costs represent costs associated with the Company's exploration portfolio, primarily relating to activities at San Pablo, Rio Blanco and the FDF. Certain other cash expenditures including tax payments, debt payments, dividends and financing costs are also not included in the calculation of AIC. The Company reports these measures on a silver ounce sold basis.

The following table provides a reconciliation of the cash operating cost per silver ounce sold on a by-product basis to the Financials:

	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
Costs of sales, as reported	\$ 21,382	\$ 32,830	\$ 95,013	\$ 82,697
Total cash operating cost before by-product credits	21,382	32,830	95,013	82,697
Less: by-product gold credits	<b>(2,356)</b>	(5,324)	<b>(10,403)</b>	(10,676)
Total cash operating cost	\$ 19,026	\$ 27,506	\$ 84,610	\$ 72,021
Divided by silver ounces sold (K oz)	<b>1,240</b>	2,010	<b>5,366</b>	5,516
COC per silver ounce sold, on a by-product basis	\$ 15.34	\$ 13.68	\$ 15.77	\$ 13.06

The following table provides a reconciliation of the all-in sustaining cost per silver ounce on a by-product basis to the Financials:

	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
Cash costs, net of by-product credits	\$ 19,026	\$ 27,506	\$ 84,610	\$ 72,021
General and administrative expenses <sup>(1)</sup>	<b>2,847</b>	2,045	<b>8,319</b>	6,016
Sustaining capital expenditures <sup>(2)</sup>	<b>753</b>	697	<b>3,383</b>	2,179
Lease payments	<b>44</b>	-	<b>223</b>	-
Accretion for decommissioning liability	<b>227</b>	254	<b>941</b>	1,015
Sustaining exploration and evaluation <sup>(2)</sup>	-	6	<b>31</b>	97
All-in sustaining costs	\$ 22,897	\$ 30,508	\$ 97,507	\$ 81,328
Divided by silver ounces sold (K ozs)	<b>1,240</b>	2,010	<b>5,366</b>	5,516
AISC per silver ounce sold, on a by-product basis	\$ 18.47	\$ 15.18	\$ 18.17	\$ 14.75

<sup>(1)</sup> For the quarter and year ended December 31, 2021 and December 31, 2020, general and administrative expenses exclude RTO Transaction costs of \$nil, \$nil, \$3,451 and \$nil, respectively; severance costs of \$nil, \$nil, \$677 and \$nil, respectively; corporate development costs of \$97, \$nil, \$231 and \$nil, respectively; and non-cash share-based compensation costs of \$494, \$nil, \$2,017 and \$nil, respectively.

<sup>(2)</sup> Sustaining capital expenditures and exploration and evaluation reflect costs necessary to maintain current production.

The following table provides a reconciliation of the all-in cost per silver ounce on a by-product basis to the Financials:

	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
All-in sustaining costs	\$ 22,897	\$ 30,508	\$ 97,507	\$ 81,328
Non-sustaining exploration and evaluation <sup>(1)</sup>	947	39	3,863	1,791
All-in costs	\$ 23,844	\$ 30,547	\$ 101,370	\$ 83,119
Divided by silver ounces sold (K ozs)	1,240	2,010	5,366	5,516
AIC per silver ounce sold, on a by-product basis	\$ 19.23	\$ 15.20	\$ 18.89	\$ 15.07

<sup>(1)</sup> Non-sustaining exploration and evaluation costs are related to growth projects outside Andean's current production profile.

#### *EBITDA and Adjusted EBITDA*

The Company has included EBITDA and adjusted EBITDA as a non-IFRS performance measure in this MD&A. The Company excludes certain items from net income to provide a measure which allows the Company and investors to evaluate the results of the underlying core operations of the Company and its ability to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of adjusted EBITDA to the Financials for their respective periods:

	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
Net income	\$ 74	\$ 39,014	\$ 4,268	\$ 45,959
Add:				
Income taxes	2,329	(18,983)	15,713	(18,983)
Finance costs	385	381	1,292	3,759
Depreciation and depletion	3,162	2,276	10,388	10,360
<b>EBITDA</b>	<b>\$ 5,950</b>	<b>\$ 22,688</b>	<b>\$ 31,661</b>	<b>\$ 41,095</b>
Add: RTO Transaction costs	-	-	3,451	-
Add: Severance costs <sup>(1)</sup>	-	-	677	-
Add: Change in fair value of marketable securities <sup>(2)</sup>	(539)	(1,777)	2,460	(1,731)
Less: Santacruz Loan recovery	-	88	(3,820)	308
<b>Adjusted EBITDA</b>	<b>\$ 5,411</b>	<b>\$ 20,999</b>	<b>\$ 34,429</b>	<b>\$ 39,672</b>

<sup>(1)</sup> Severance costs relate to amounts payable to the former CEO in September 2021, including related advisory fees.

<sup>(2)</sup> These amounts refer to mark-to-market adjustments on securities held of Santacruz.

#### *Free Cash Flow*

The Company has included free cash flow as a non-IFRS performance measure in this MD&A. The Company considers operating cash flow plus capital expenditures to provide a measure which allows the Company and investors to evaluate the ability of the Company to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of free cash flow to the Financials for their respective periods:

	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
Operating cash flows	\$ 5,569	\$ 23,908	\$ 33,615	\$ 37,436
Less:				
Expenditures on property, plant and equipment	(753)	(697)	(3,383)	(2,179)
Lease payments	(44)	-	(223)	-
<b>Free cash flow</b>	<b>\$ 4,772</b>	<b>\$ 23,211</b>	<b>\$ 30,009</b>	<b>\$ 35,257</b>

#### *Realized Gold and Silver Prices*

The Company has included realized prices as a non-IFRS performance measure in this MD&A. The Company quantifies average realized price as revenue per the Statement of Operations divided by oz of gold or silver sold.

The following table provides a reconciliation of realized prices to the Financials for their respective periods:

	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
Silver revenue	\$ 28,775	\$ 50,244	\$ 133,804	\$ 119,996
Silver oz sold (k ozs)	1,240	2,011	5,366	5,516
<b>Average realized silver price</b>	<b>\$ 23.21</b>	<b>\$ 24.99</b>	<b>\$ 24.94</b>	<b>\$ 21.76</b>
	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>FY 2021</b>	<b>FY 2020</b>
Gold revenue	\$ 2,356	\$ 5,324	\$ 10,403	\$ 10,676
Gold oz sold (ozs)	1,313	2,835	5,888	6,198
<b>Average realized gold price</b>	<b>\$ 1,794</b>	<b>\$ 1,878</b>	<b>\$ 1,767</b>	<b>\$ 1,723</b>

## MINERAL RESOURCE STATEMENT

### San Bartolomé Mine

Location	Tonnes <sup>(2)</sup> (000's)	Silver (g/t)	Silver oz. (million)	Tin (%)	Tin (000t)
<b>Pallacos Oxides<sup>(3,4,5)</sup></b>					
<b>Antuco (M+I)</b>	<b>934</b>	<b>83.8</b>	<b>2.52</b>		
Measured	159	88.7	0.45		
Indicated	775	82.8	2.07		
<b>Huacajchi (M+I)</b>	<b>171</b>	<b>81.3</b>	<b>0.45</b>		
Measured	150	80.7	0.39		
Indicated	21	85.9	0.06		
<b>Santa Rita (M+I)</b>	<b>1,958</b>	<b>89.8</b>	<b>5.65</b>		
Measured	769	93.8	2.32		
Indicated	1,189	87.2	3.33		
Inferred	463	91.4	1.36		
<b>Combined Pallacos (M+I)</b>	<b>3,063</b>	<b>87.5</b>	<b>8.62</b>		
Measured	1,078	91.2	3.16		
Indicated	1,985	85.5	5.46		
Inferred	463	91.4	1.36		
<b>Tatasi-Portugalete (M+I)<sup>(6)</sup></b>					
Measured	183	323	1.90		
Indicated	79	323	0.82		
Inferred	16	272	0.14		
<b>FDf Oxides:<sup>(7)</sup></b>					
Indicated	10,148	49.5	16.20	0.12	11.93
Inferred	1,505	48.4	2.30	0.09	1.33

*Notes:*

- (1) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves estimate.
- (2) Mineral Resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, any apparent errors are insignificant.
- (3) Pallacos mineral resources are reported using the following Ag Cut off Grades: Antuco: 62.9 g/t Ag, Huacajchi: 58.1 g/t Ag and Santa Rita: 61.5 g/t Ag.
- (4) Pallacos mineral Resources are reported within a constraining pit shell. Assumed silver price of \$US22/oz; b) Assumed metallurgical silver recovery: 88%; c) variable mining cost by deposit: Antuco \$7.53/t, Huacajchi \$6.25/t and Santa Rita \$7.06/t; d) process costs: Antuco \$19.78/t Huacajchi \$19.03/t and Santa Rita \$19.11/t; e) Washing (+8) costs: \$1.2/t; f) G&A costs: Antuco \$5.37/t Huacajchi \$6.29/t and Santa Rita \$5.34/t. other costs considered included Smelting, COMIBOL(Corporación Minera de Bolivia) royalty and the Silver Bolivian Royalty.
- (5) Pallacos mineral resources are effective as of December 31, 2021, are inclusive of reserves. Assumptions include 100% mining recovery.
- (6) Tatasi-Portugalete resources are based on the Technical Report on the Bolivian Operations of Ag-Mining Investments AB and Buckhaven Capital Corp., effective March 17, 2020 and dated September 1, 2020, prepared by Birak Consulting LLC and NCL Ingeniería y Construcción SpA.
- (7) A nominal cut-off of \$US25 has been used for reporting the mineral resources at the FDF. This cut-off considers, on a per tonne basis, \$US 1.50 mining cost, \$US 19.00 processing costs, \$US 4.50 general & administrative costs. All cost assumptions are provided by Andean and based on internal studies for mining and existing operations.
- (8) FDF Mineral resources are effective as of December 31, 2021, are inclusive of reserves. Assumptions include 100% mining recovery.
- (9) SRK notes that these results have not been formally issued in a technical report consistent with Canadian securities law and will be supported by a Technical Report to be filed within 45 days of February 9, 2022, the date of initial release.

*Mineral Resource Estimate Methodology - FDF*

SRK has prepared the FDF Mineral Resource Estimate. The purpose of this estimate to provide updated disclosure, incorporating new drilling, sampling and modelling techniques. SRK conducted the majority of this work over the course of Q4 2021 and Q1 2022. All data collection was completed by Manquiri personnel and was reviewed by SRK.

The FDF has been drilled extensively utilizing sonic core drilling methods from a barge-mounted platform. Manquiri personnel logged and sampled the drill core and submitted these to the commercial laboratory ALS Minerals. Internal QA/QC submissions and chain of custody were implemented to monitor the security, accuracy and precision of the samples generated. The results of the QA/QC demonstrated that the sampling data is adequate for reliance on the results for mineral resource estimation. At this time, only silver and tin are reported as potentially economically recoverable.

Mineral resources have been categorized in a manner consistent with CIM Guidelines and consider spacing of drilling, numbers of composites, and geostatistical indicators of estimation quality as well as other factors. Mineral resources are reported above a nominal cut off based on aggregated unit values (USD\$) for silver and tin.

*Mineral Resource Estimate Methodology - Pallacos*

The oxide materials at San Bartolomé, termed "pallacos," were formed from erosion of the world-class Cerro Rico hydrothermal deposit (high sulphidation-type). The pallacos were deposited in three sectors flanking Cerro Rico: Antuco (north sector), Huacajchi (west-southwest sector) and Santa Rita (east-southeast sector).

The pallacos have been explored using a combination of sampling methodologies, including drilling, hand-dug vertical shafts and hydraulic excavator/backhoe pits. The procedures and QA/QC results indicate that the sampling data is adequate for the mineral resource estimation.

The density of sampling and mapping helped delineate the extension of the deposits and establish the underlying bedrock topographic surface. A 3-D geological model was constructed using implicit modeling and include the construction of solids of the limit of the bedrock and the resulting solids of the deposits of Antuco, Huacajchi and Santa Rita. In each area, a number of domains were defined based on lithology and alteration, provenance and pallacos size fractions.

SRK completed an analysis of the raw exploration data, performed the analysis of outliers, defined the capping levels and composited the samples to a 2m consistent vertical length. Variogram analysis was completed, and kriging and nearest neighbour methods were performed to define the block size and search strategy used in the estimation. Estimates were made from the composited data into a block model, with a parent cell dimension of 7x7x5m using ordinary kriging, inverse distance and nearest neighbour methods as appropriate. The bulk density was assigned according to the geological domains. The density values vary between 1.61 and 1.98 in Antuco, between 2.04 to 2.23 in Huacajchi and between 1.87 to 2.02 in Santa Rita.

Mineral resources have been categorized in a manner consistent with CIM Guidelines and consider spacing of drilling and sampling, numbers of composites, and geostatistical indicators of estimation quality as well as other factors. Resources are reported above a nominal cut off based on aggregated unit values (USD\$) for Ag based on metal price and recoverability assumptions provided by Andean.

**OFF-BALANCE SHEET ARRANGEMENTS**

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the

Company including, without limitation, such considerations as liquidity and capital resources that has not previously been discussed.

## **IFRS CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

Management has discussed the development and selection of our critical accounting estimates with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the disclosure relating to such estimates in conjunction with its review of this MD&A. The accounting policies and methods we utilize determine how we report our financial condition and results of operations, and they may require management to make estimates or rely on assumptions about matters that are inherently uncertain. The Financials have been prepared in accordance with IFRS under the historical cost convention, as modified by revaluation of certain financial assets. Our critical accounting policies are disclosed in note 3 to the Financials, including a summary of current and future changes in accounting policies.

### *Critical Accounting Estimates and Judgments*

Certain accounting estimates have been identified as being “critical” to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. Our significant accounting judgments, estimates and assumptions are disclosed in note 2 to the accompanying Financials.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of authorized common shares without par value. The Company does not currently pay dividends and entitlement will only arise upon declaration.

At December 31, 2021 and the date of this filing, the Company had 157,473,506 common shares, 2,063,913 options to purchase common shares of the Company and 6,121,875 restricted stock units issued and outstanding. (December 31, 2020 – 120,000,100 common shares and 19,854,738 subscription receipts convertible into one common share of the Company, issued and outstanding)

## **DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the Financials do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the Financials; and (ii) the Financials fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Filings (“NI 52-109”), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, filings or other reports filed or submitted under securities

legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of and annual filings and other reports provided under securities legislation.

## RISK FACTORS

The Company's activities expose it to a variety of financial market risks, credit risks and liquidity risks, as described in Note 20 of the accompanying Financials.

The Company also identified a number of other risks and uncertainties:

### *Commodity Prices and Availability*

Andean's profitability and long-term viability depend, in large part, upon the market prices of metals that may be produced from its properties and processed at its plant, primarily silver. Market price fluctuations of this commodity could adversely affect profitability of Andean operations and lead to impairments of mineral properties and inventory. Metal prices fluctuate widely and are affected by numerous factors beyond Andean's control, including:

- global and regional supply and demand for industrial products containing metals generally;
- changes in global or regional investment or consumption patterns;
- increased production due to new mine developments and improved mining and production methods;
- decreased production due to mine closures;
- interest rates and interest rate expectation;
- expectations with respect to the rate of inflation or deflation;
- availability and costs of metal substitutes;
- global or regional political or economic conditions; and
- sales by central banks, holders, speculators and other producers of metals in response to any of the above factors.

There can be no assurance that metal prices will remain at current levels or that such prices will improve. A decrease in the market prices could adversely affect the profitability of Andean's existing mines, processing plant and projects as well as its ability to finance the exploration and development of additional properties, which would have a material adverse effect on Andean's results of operations, cash flows and financial position. A decline in metal prices may require Andean to write-down mineral reserve and mineral resource estimates by removing ores from mineral reserves that would not be economically processed at lower metal prices and revise life-of-mine plans, which could result in material write-downs of investments in mining properties. Any of these factors could result in a material adverse effect on Andean's results of operations, cash flows and financial position. Further, if revenue from metal sales declines, Andean may experience liquidity difficulties. Its cash flow from mining and ore processing operations may be insufficient to meet its operating needs, and as a result Andean could be forced to discontinue production and could lose its interest in, or be forced to sell, some or all of its properties.



In addition to adversely affecting mineral reserve and mineral resource estimates and Andean's results of operations, cash flows and financial position, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays and/or may interrupt operations until the reassessment can be completed, which may have a material adverse effect on Andean's results of operations, cash flows and financial position. In addition, lower metal prices may require Andean to reduce funds available for exploration with the result that the depleted reserves may not be replaced.

The profitability of Andean's operations are dependent upon the cost and availability of commodities, which are consumed or otherwise used in connection with Andean's operations and projects, including, but not limited to, cyanide, lime, zinc, borax and diatomaceous earth. Prices of such commodities also fluctuate widely and are affected by numerous factors beyond the control of the Company. Further, as many of Andean's mines are in remote locations and energy is generally a limited resource, Andean faces the risk that there may not be sufficient energy available to carry out mining activities efficiently or that certain sources of energy may not be available.

#### *Supply and Quality of Purchased Ore*

Andean's operations include the purchase of ore from local mining cooperatives as well as through the Company's contract with RALP, which is then used to supply the production of its San Bartolomé plant. The production and revenues of the Company depend on the availability of the mineral ore being supplied from these suppliers. To mitigate this risk, the Company maintains a department to evaluate purchasing opportunities throughout Bolivia.

The Company does not have control over the volume of mineralized material and ore grade purchased from its suppliers. The variability of volume of mineralized material and ore grade can have an impact over the volume of metals produced and sold. The Company mitigates this risk by working with a minimum cut-off purchase grade to ensure best efficiency and profitability of its plant operations.

#### *Cost Estimates May not be Accurate*

The Company prepares budgets and estimates of cash costs and capital costs for its operations and its main costs relate to material costs, workforce and contractor costs, and energy costs. As a result of the substantial expenditures involved in the development of mineral projects and the fluctuation of costs over time, development projects may be prone to material cost overruns. The Company's actual costs may vary from estimates for a variety of reasons, including short-term operating factors; revisions to development plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability and unexpected labour issues, labour shortages, strikes or community blockades and quality of existing infrastructure being less than expected. Many of these factors are beyond our control and the inaccuracy of any estimates may result in the Company requiring additional capital and time to execute on its development and exploration plans.

#### *Exploration, Development and Operating Risks*

Mining operations are inherently dangerous and generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of silver and gold, including, without limitation, unusual and unexpected geologic formations, seismic activity, flooding, pit wall failure and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or loss of life, damage to property and environmental damage, all of which may result in possible legal liability. Although the Company expects that adequate precautions to minimize risk will be taken, mining operations are subject to hazards such as fire, rock falls, geomechanical issues, equipment failure or failure of retaining dams around tailings disposal



areas, which may result in environmental pollution and consequent liability. The occurrence of any of these events could result in a prolonged interruption of the Company's operations that would have a material adverse effect on its business, financial condition, results of operations and prospects.

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

#### *Health, Safety and Environmental Risks and Hazards*

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death and/or material damage to the environment and Company assets. The impact of such accidents could affect the profitability of the operations, potentially result in fines, penalties or other prosecutions, cause an interruption to operations, lead to a loss of licenses, affect the reputation of Andean and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of Andean as an employer.

All phases of Andean's operations are subject to environmental and safety regulations in the jurisdictions in which it operates. These regulations mandate, among other things, worker safety, water quality, water management, land reclamation, waste disposal (including the generation, transportation, storage and disposal of hazardous waste), mine development and protection of endangered and other special status species. Failure to comply with applicable health, safety and environmental laws and regulations could result in injunctions, fines, suspension or cancellation of permits and approvals and could include other penalties including negligence claims or criminal prosecution. Health, safety and environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that Andean has been or will at all times be in full compliance with all environmental laws and regulations or hold, and be in full compliance with, all required environmental and health and safety permits. In addition, no assurances can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have an adverse effect on Andean's financial position and operations. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including Andean, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. The potential costs and delays associated with compliance with such laws, regulations and permits could prevent Andean from proceeding

with the development of a project or the operation or further development of a mine, and any non-compliance therewith may adversely affect Andean's business, financial condition and results of operations.

Government environmental approvals and permits are currently, or may in the future be, required in connection with Andean's operations. To the extent such approvals are required and not obtained, Andean may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Andean may also be held financially responsible for remediation of contamination at current or former sites, or at third party sites. Andean could also be held responsible for exposure to hazardous substances. The costs associated with such instances and liabilities could be significant.

Andean may be required to submit, for government approval, a reclamation or closure plan for each of its mining/project sites. The reclamation plan establishes Andean's obligation to reclaim property after certain mining or exploration activities have been carried out by Andean. In some jurisdictions, bonds or other forms of financial assurances are required as security to ensure performance of the required reclamation activities. Andean may incur significant reclamation costs which may materially exceed the provisions Andean has made for such reclamation. In addition, the potential for additional regulatory requirements relating to reclamation or additional reclamation activities may have a material adverse effect on Andean's financial condition, liquidity or results of operations. When a previously unrecognized reclamation liability becomes known or a previously estimated cost is increased, the amount of that liability or additional cost may be expensed, which may materially reduce net income in that period.

The extraction process for silver and gold can produce tailings, which are the sand-like materials which remain from the extraction process. Tailings are stored in engineered facilities, which are designed, constructed, operated and closed in conformance with local requirements and best practices.

In 2008, a three-stage tailings impoundment was commissioned at Manquiri under previous management, which serves to store both dry and wet tailings from the mill. The stages are fines disposal, dry-stack facility, and water recovery operations, and are located approximately two kilometers to the southeast of the mill operations. The fines disposal facility is a zero-discharge facility which is designed to also hold storm water and leads to a separate water impoundment for recycling to the mill as needed. Both the fines disposal facility and dry-stack facilities are fully lined. The tailings facility is designed to maximize water efficiency and minimize long-term environmental impacts by creating a highly concentrated tailing. The low level of water concentrated in the tailings provides structural stability, which is also a critical component to site closure.

Should a breach of these facilities occur due to extreme weather, seismic event, or other incident, Andean could suffer a material financial impact on its operations and financial condition, including the potential for criminal and financial liability. In order to mitigate and substantially reduce these risks, the Company utilizes specialist tailings dam consultant Knight Piesold to oversee the design, construction methodology and monitoring.

Andean actively engages with local communities to provide timely information about the operations and participates in a variety of activities to contribute to the wellbeing of local communities. Health, safety, environmental or other incidents, real or perceived, could cause community unrest that manifest into protests, road blockages, or other civil disobedience activities that could materially disrupt Andean's operations.

The operations of Andean are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although Andean believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, new rules and regulations may be enacted or existing rules and regulations may be applied in a manner that could limit or curtail production or development of Andean's properties. Amendments to current laws

and regulations governing the operations and activities of Andean or more stringent implementation thereof could have a material adverse effect on Andean's business, financial condition and results of operations.

#### *COVID-19*

Global markets have been adversely impacted by the Global COVID-19 Pandemic and could be impacted by other emerging infectious diseases and/or the threat of outbreaks of viruses, other contagions or epidemic diseases in the future. The Pandemic has resulted in a widespread crisis that has adversely affected the economies and the financial markets of many countries, resulting in an economic downturn which could adversely affect Andean's business and the market price of its securities.

Many industries, including the mining industry, have been impacted by the international response to COVID-19 which led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in global consumer activity.

Until such time as the spread of COVID-19 is contained worldwide, significant restrictions imposed by governments will likely remain in place and could increase. Possible immediate and medium-term impacts of the continuing or worsening spread of COVID-19, including new variants of the virus, may include disruptions to Andean's activities resulting from health and safety measures, illness among Andean's workforce, restricted mobility of personnel and further disruptions of Andean's operations, logistics and supply chain, all of which may negatively impact Andean's financial performance.

Furthermore, the prospect of a global recession, increased levels of volatility or further destabilization of global economic conditions (such as consumer spending, employment rates, interest rates and tax rates, inflation, fuel and energy costs and consumer debt levels) may result in a material adverse effect on commodity prices, availability of credit, investor confidence and general financial market liquidity, all of which may adversely affect Andean's operations and business, its ability to successfully raise capital and the market price of its securities.

Andean will continue to monitor developments with respect to Covid-19 and apply its cash management and liquidity control plan to maintain its currently solid financial situation. Andean will also implement any such changes to its business as may be deemed appropriate to mitigate any potential impacts to its business, employees, contractors and stakeholders.

#### *Nature and Climatic Condition Risk*

Andean and the mining industry as a whole face geotechnical challenges, which could adversely impact Andean's production and profitability. Unanticipated adverse geotechnical and hydrological conditions, such as landslides, droughts, pit wall failures and rock fragility may occur in the future and such events may not be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict and are often affected by risks and hazards outside of Andean's control, such as seismic activity, severe weather and considerable rainfall, which may lead to periodic floods, mudslides and wall instability, which could potentially result in slippage of material or a tailings dam failure. Geotechnical failures could result in limited or restricted access to mine sites, suspension of operations, government investigations, increased monitoring costs, remediation costs, loss of ore and other impacts including financial liability, which could cause one or more of Andean's projects to be less profitable than currently anticipated and could result in a material adverse effect on Andean's results of operations and financial position.

Furthermore, the occurrence of physical climate change events may result in substantial costs to respond to the event and/or recover from the event, and to prevent recurrent damage, through either the modification of, or addition to, existing infrastructure at our operations. The scientific community has predicted an increase, over

time, in the frequency and severity of extraordinary or catastrophic natural phenomena as a result of climate change. Andean can provide no assurance that it will be able to predict, respond to, measure, monitor or manage the risks posed as a result.

In addition, as climate change is increasingly perceived as an international and community concern, stakeholders may increase demands for emissions reductions and call-upon mining companies to better manage their consumption of climate-relevant resources. Physical climate change events, and the trend toward more stringent regulations aimed at reducing the effects of climate change, could impact Andean's decisions to pursue future opportunities, or maintain existing operations, which could have an adverse effect on its business and future operations. Andean can provide no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on its operations and profitability.

#### *Uncertainty in the Estimation of Mineral Reserves and Mineral Resources*

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that Andean continues to realize its existing identified mineral reserves, convert mineral resources into mineral reserves, increase its mineral resource base by adding new mineral resources from areas of identified mineralized potential, and/or undertake successful exploration or acquire new mineral resources.

No assurance can be given that the anticipated tonnages and grades in respect of mineral reserves and mineral resources contained in this MD&A will be achieved, that the indicated level of recovery will be realized or that mineral reserves will be mined or processed profitably. Actual mineral reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may differ from estimated levels. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond Andean's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that silver recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its mineral reserve estimates from time to time or may render Andean's mineral reserves uneconomic to exploit. Mineral reserve data is not indicative of future results of operations. If Andean's actual mineral reserves and mineral resources are less than current estimates or if Andean fails to develop its mineral resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of mineral reserves and mineral resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of inferred mineral resource is often the least reliable mineral resource category and is subject to the most variability. Andean regularly evaluates its mineral resources and it often determines the merits of increasing the reliability of its overall mineral resources.

#### *Replacement of Depleted Mineral Reserves*

Given that mines have limited lives based on proven mineral reserves and probable mineral reserves, Andean must continually replace and expand its mineral reserves at its mines. Andean's ability to maintain or increase its annual production will be dependent in part on its ability to bring new Mineral Reserves into production.

### *Uncertainty Relating to Mineral Resources*

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven mineral reserves and probable mineral reserves as a result of continued exploration.

### *Uncertainty Relating to Future Production Estimates*

Andean prepares estimates and projections of future production for its existing and future mine operations. Any such information is forward-looking and no assurance can be given that such estimates will be achieved. These estimates are based on existing mine plans and other assumptions which change from time to time, including: mineral reserve and mineral resource estimates, including estimates for Cachi Laguna; the availability, accessibility, sufficiency and quality of ore; the availability, accessibility, sufficiency and quality of ore purchased from local Bolivian miners and RALP (as defined herein); Andean's costs of production; Andean's costs of purchased ore, including ore purchased from RALP; Andean's ability to sustain and increase production levels; the sufficiency of Andean's infrastructure; the performance of Andean's workforce and equipment, Andean's ability to maintain and obtain mining interests and permits; and Andean's compliance with existing and future laws and regulations. Andean's actual production may vary from estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; actual ore purchased varying from estimates of grade, tonnage and metallurgical and other characteristics; revisions to mine plans; unusual or unexpected ore body formations; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods, and seismic activity; and unexpected labour shortages, strikes, local community opposition or blockades. Failure to achieve the estimated forecasts could have an adverse impact on Andean's profitability, future cash flows, earnings, results of operations and financial condition.

### *Infrastructure*

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Andean's operations, financial condition and results of operations.

### *Permitting*

Andean's operations are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits for Andean's existing operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Prior to any development on any of its properties, Andean must receive permits from appropriate governmental authorities. There can be no assurance that Andean will continue to hold all permits necessary to develop or continue operating at any particular property. Any of these factors could have a material adverse effect on Andean's results of operations and financial position.

### *Insurance and Uninsured Risks*

Andean's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, catastrophic equipment failures or unavailability of materials and equipment, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death,



environmental damage to Andean's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Andean's insurance will not cover all the potential risks associated with Andean's operations. Even if available, Andean may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Andean or to other companies in the mining industry on acceptable terms. Andean might also become subject to liability for pollution or other hazards that may not be insured against or that Andean may elect not to insure against because of premium costs or other reasons. Losses from these events could cause Andean to incur significant costs that could have a material adverse effect upon its financial performance and results of operations. Should Andean be unable to fully fund the cost of remedying an environmental problem, Andean might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which may have a material adverse effect. Andean may suffer a material adverse effect on its business, results of operations, cash flows and financial position if it incurs a material loss related to any significant event that is not covered, or adequately covered, by its insurance policies.

Andean may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or for other reasons. Furthermore, Andean may incur liability to third parties in excess of any insurance coverage or for which Andean is not insured arising from any damage or injury caused by Andean's operations, which may have a material adverse effect on Andean's financial position.

#### *Foreign Operations and Political Risk*

Andean holds mining and exploration properties in Bolivia, exposing it to the socioeconomic conditions as well as the laws governing the mining industry in this country. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; extreme fluctuations in currency exchange rates; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, currency controls and governmental regulations that favour or require Andean to award contracts in, employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in any of the jurisdictions in which Andean operates may adversely affect Andean's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of parts and supplies, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. In addition, changes in government laws and regulations, including taxation, royalties, the repatriation of profits, restrictions on production, export controls, changes in taxation policies, environmental and ecological compliance, expropriation of property and shifts in the political stability of the country, could adversely affect Andean's exploration, development and production initiatives in these countries.

In Bolivia, a new constitution, enacted in 2009, confirmed the concept that all natural resources in Bolivia belong to the Bolivian people. On May 28, 2014, Law 535 of Mining and Metallurgy (the "New Mining Law") was enacted.

Among other things, the New Mining Law established a new Bolivian mining authority and set out a number of new economic and operational requirements relating to state participation. The New Mining Law did not make any substantial changes to the tax and royalty regimes related to mining activities. Further, the New Mining Law provided that all pre-existing contracts, which at San Bartolomé consisted of various joint venture and lease agreements, were to migrate to one of several new forms of agreement with COMIBOL within a prescribed period of time. As of September 2020, all contracts at the San Bartolomé Project had been migrated successfully. As San Bartolomé's contracts were considered to be pre-existing contracts, required terms for new mining contracts resulting from the New Mining Law did not apply to San Bartolomé's contracts.

Additionally, the Bolivian government issued Supreme Decree 1802 on December 20, 2013, which provides that when Bolivian annual gross domestic product ("GDP") grows more than 4.5%, an extra month of salary must be paid to all salaried workers in Bolivia, including the private sector, in respect of the month of December (the "Esfuerzo por Bolivia"). In 2021, Bolivian GDP grew less than 4.5% and, therefore, the Ministry of Labor did not apply the Esfuerzo por Bolivia rule.

There is, however, no guarantee that Bolivian governmental actions, including possible expropriation or additional changes in the law will not impact Andean's involvement in the San Bartolomé operation in an adverse way and such actions could have a material adverse effect on us and our business.

Andean continues to monitor developments and policies in all the jurisdictions in which it operates and the potential impact such developments and policies may have on its operations; however they cannot be accurately predicted and could have an adverse effect on Andean's operations or profitability.

#### *Compliance with Anti-Corruption Laws*

Andean is subject to various anti-corruption and anti-bribery laws and regulations including but not limited to the Canadian Corruption of Foreign Public Officials Act and the Extractive Sector Transparency Measure Act ("ESTMA"), as well as similar laws in the countries in which Andean conducts business. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. ESTMA, which became effective June 1, 2015, requires public disclosure of payments to governments by mining and oil and gas companies engaged in the commercial development of oil, gas and minerals who are either publicly listed in Canada or with business or assets in Canada. Mandatory annual reporting is required for extractive companies with respect to payments made to foreign and domestic governments at all levels, including entities established by two or more governments.

In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such anti-corruption and anti-bribery laws, resulting in greater scrutiny and punishment of companies found in violation of such laws. Failure to comply with the applicable legislation and other similar foreign laws could expose Andean and its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect Andean's business, financial condition and results of operations, as well as have an adverse effect on the market price of Andean's Common Shares. Andean has instituted policies designed to facilitate compliance with such requirements that apply to all employees, consultants, contractors and other agents, including a code of business conduct and ethics and a whistleblower policy, an anti-bribery and anti-corruption policy, as well as mandatory training. However, there can be no assurance or guarantee that such efforts have been and will be completely effective in ensuring Andean's compliance, and the compliance of its employees, consultants, contractors and other agents, with all applicable anti-corruption and anti-bribery laws.

### *Increase in Production Costs*

Changes in Andean's production costs could have a major impact on its profitability. Its main production expenses are personnel and contractor costs, materials, including purchased ore, and energy. Changes in costs of Andean's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, a change in commodity prices, increased costs (including purchased ore costs, oil, steel and diesel) and scarcity of labour, and could result in changes in profitability or mineral reserve estimates. Many of these factors may be beyond Andean's control.

Andean relies on third party suppliers for a number of raw input materials. Any material increase in the cost of raw materials, or the inability by Andean to source third party suppliers for the supply of its raw materials, could have a material adverse effect on Andean's results of operations or financial condition. Andean prepares estimates of future cash costs and capital costs for its operations and projects. There is no assurance that actual costs will not exceed such estimates. Exceeding cost estimates could have an adverse impact on Andean's future results of operations or financial condition.

### *Competition*

The mining industry is intensely competitive in all of its phases and Andean competes with many companies possessing greater financial and technical resources than itself. Competition in the precious metals mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a global basis. Such competition may result in Andean being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect Andean's prospects for mineral exploration and success in the future.

### *Compliance Costs*

Andean is subject to various laws and regulations. The costs associated with compliance with such laws and regulations may cause substantial delays and require significant cash and financial expenditure, which may have a material adverse effect on the Company or the development of its mineral properties. Although Andean believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of Andean's properties. Amendments to current laws and regulations governing the operations and activities of Andean or more stringent implementation thereof could have a material adverse effect on Andean's business, financial condition and results of operations.

The officers and directors of the Company rely, to a great extent, on the Company's legal counsel and local consultants and advisors in respect of legal, environmental compliance, banking, financing and tax matters in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations. Despite these resources, the Company may fail to comply with a legal or regulatory requirement, which may lead to the revocation of certain rights or to penalties or fees and in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the operational activities and may have civil or criminal fines or



penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Any of the foregoing may have a material adverse effect on the Company or the development of its mineral properties.

#### *Community Relations*

Andean's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. The evolving expectations related to human rights, indigenous rights, and environmental protection may result in opposition to Andean's current and future operations or further development or new development of Andean's projects and mines. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against Andean's activities, and may have a negative impact on Andean's reputation and operations.

Opposition by any of the aforementioned groups to Andean's operations may require modification of, or preclude the operation or development of, Andean's projects and mines or may require Andean to enter into agreements with such groups or local governments with respect to Andean's projects and mines, in some cases, causing increased cost and considerable delays to the advancement of Andean's projects. Further, publicity adverse to Andean, its operations or extractive industries generally, could have an adverse effect on Andean and may impact relationships with the communities in which Andean operates and other stakeholders. While Andean is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk.

Andean's other projects, including exploration projects, may also be impacted by relations with various community stakeholders, and Andean's ability to develop related mining assets may still be affected by unforeseen outcomes from such community relations.

#### *Non-Governmental Organizations*

Certain non-governmental organizations ("NGOs") that oppose globalization and resource development are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or other parties generally related to extractive industries or specifically to Andean's operations, could have an adverse effect on Andean's reputation, impact Andean's relationship with the communities in which it operates and ultimately have a material adverse effect on Andean's business, financial condition and results of operations.

NGOs may organize protests, install road blockades, apply for injunctions for work stoppage, file lawsuits for damages and intervene and participate in lawsuits seeking to cancel Andean's rights, permits and licences. NGOs may also lobby governments for changes to laws, regulations and policies pertaining to mining and relevant to Andean's business activities, which, if made, could have a material adverse effect on Andean's business, financial condition and results of operations.

#### *Litigation Affecting Mineral Properties*

Potential litigation may arise on a mineral property on which Andean has an interest (for example, litigation with the original property owners or neighbouring property owners). The results of litigation cannot be predicted with certainty and defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. If Andean is unable to resolve these disputes favourably or if the cost of the resolution is substantial, such events may have a material adverse impact on the ability of Andean to carry out its business plan.

### *Foreign Subsidiaries*

Andean is a holding company that conducts operations through subsidiaries, including foreign subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict Andean's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on Andean's valuation and stock price.

### *Reliance on Local Advisors and Consultants in Foreign Jurisdictions*

Andean holds mining and exploration properties in Bolivia. The legal and regulatory requirements in this country with respect to conducting mineral exploration and mining activities, banking system and controls, as well as local business culture and practices are different from those in Canada. The officers and directors of Andean must rely, to a great extent, on Andean's local legal counsel and local consultants retained by Andean in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect Andean's business operations, and to assist Andean with its governmental relations. Andean must rely, to some extent, on those members of management and Andean's board of directors who have previous experience working and conducting business in this country in order to enhance its understanding of and appreciation for the local business culture and practices. Andean also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing, labour, litigation and tax matters in these countries. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the control of the Company. The impact of any such changes may adversely affect the business of the Company.

### *Enforcement of Legal Rights*

Andean has material subsidiaries organized under the laws of Sweden and Bolivia and certain of Andean's directors, management and personnel are located in foreign jurisdictions. Given that the majority of Andean's material assets and certain of its directors, management and personnel are located outside of Canada, investors may have difficulty in effecting service of process within Canada and collecting from or enforcing against the Company, or its directors and officers, any judgments issued by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or other laws of Canada. Similarly, in the event a dispute arises in connection with Andean's foreign operations, Andean may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada.

### *Expansion Risk*

Expansion of Andean's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that Andean will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that Andean will be able to manage growth successfully. Any inability of Andean to manage growth successfully could have a material adverse effect on Andean's business, financial condition and results of operations.

### *Dependence on Management and Key Personnel*

The success of Andean for the foreseeable future will depend largely upon the ability of its management team and other key personnel. The loss of any one of these individuals could have a material adverse effect on Andean's

business, and Andean would need to devote substantial resources to finding replacements. Andean currently does not carry "key-man" life insurance policies covering any of these officers.

Competition for qualified and experienced personnel in the field in which Andean operates is generally intense, and Andean relies heavily on its ability to attract and retain qualified personnel in order to successfully implement its business objectives. The failure to attract or retain key executives and personnel could impact Andean's operations.

#### *Dependence on Employees*

Exploration and production from the properties in which Andean holds an interest and purchasing and processing ore from third parties depends on the efforts of employees. There is competition for persons with such expertise. The ability of the Company to hire and retain geologists and persons with such expertise is key to those operations. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in the jurisdictions in which those operations are conducted. Changes in such legislation or otherwise in the relationships with employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the operations, results of operations and financial condition of Andean. If these factors cause the exploration to be ceased or curtailed at one or more of the Company's mineral properties or processing plants, such decision could have a material adverse effect on the business and financial condition of Andean.

## **FORWARD-LOOKING STATEMENTS**

Certain statements and information in this MD&A constitute "forward-looking statements" within the meaning of applicable U.S. securities laws and "forward-looking information" within the meaning of applicable Canadian securities laws, which we refer to collectively as "forward-looking statements". Forward-looking statements are statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements and information other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by the use of words such as "seek", "expect", "anticipate", "budget", "plan", "estimate", "continue", "forecast", "intend", "believe", "predict", "potential", "target", "may", "could", "would", "might", "will" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook.

Forward-looking statements in this MD&A include, but are not limited to statements and information regarding: the Company's future mining activities, including mining capacity, recovery, cash costs, production and mine life; the Company's future ore purchase activities; the Company's exploration and development plans, including anticipated costs and timing thereof; the timing and location of future drilling; the timing of release of drill results and data from the DSF; the Company's assessment of acquisition opportunities; the Company's production and AISC guidance for fiscal 2022; the timing of geological and/or technical reports and studies; the Company's ability to obtain and maintain required licences, permits, required agreements with third parties and regulatory approvals; the Company's plans for growth through exploration activities, acquisitions or otherwise; expectations regarding future maintenance and capital expenditures, working capital requirements, the availability of financing and future effective tax rates. Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited to: the Company's ability to carry on exploration and development activities; the Company's ability to secure and to meet obligations under property and option agreements and other material agreements; the timely receipt of required approvals and permits; that there is no material adverse change affecting the Company or its properties; that contracted parties provide goods or services in a timely manner; that no unusual geological or technical problems occur; that plant and equipment function as anticipated and that there is no material adverse change in the price of silver, costs associated with production or recovery. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause

actual results, performance or achievements, or industry results, to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and you are cautioned not to place undue reliance on forward-looking statements contained herein.

Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; risks relating to possible variations in reserves, resources, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; risks related to commodity price and foreign exchange rate fluctuations; the uncertainty of profitability based upon the cyclical nature of the industry in which the Company operates; risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental or local community approvals or in the completion of development or construction activities; risks related to environmental regulation and liability; political and regulatory risks associated with mining and exploration; risks related to the uncertain global economic environment; risks related to COVID-19; and other factors contained in the section entitled "Risk Factors" in this MD&A.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking statements included in, this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

## **QUALIFIED PERSONS**

As described in the Mineral Resource Statement section of this MD&A, the Mineral Resource Estimate was reviewed and approved by Matthew Hastings, MAusIMM (CP) and Principal Resource Geologist of SRK Consulting (U.S.) Inc. Mr. Hastings has sufficient experience which is relevant to the type of material under consideration and to the activities being undertaken to qualify as a Qualified Person as defined by Canadian National Instrument 43-101.

All other scientific and technical content disclosed in this MD&A was reviewed and approved by Donald J. Birak, Senior Consulting Geologist to the Company, a Qualified Person as defined by Canadian National Instrument 43-101, Registered Member, Society for Mining, Metallurgy and Exploration (SME), Fellow, Australasian Institute of Mining and Metallurgy (AusIMM). Mr. Birak's experience in Bolivia and at San Bartolomé commenced in 2004 with Coeur Mining Inc.