ANDEAN PRECIOUS METALS

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

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1. 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 unaudited interim condensed consolidated financial statements and related notes for the six months ended June 30, 2023 and 2022 (the "Financials"), which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). The Company uses certain non-GAAP financial measures in this MD&A, as described under "Non-GAAP Measures". Additional information on Andean is available on SEDAR at www.sedar.com and on the Company's website at 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 August 15, 2023 and all information is current as of such date unless otherwise indicated.

2. BUSINESS DESCRIPTION

Andean is a silver producer 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 materials from third-party mining cooperatives and privately held mining companies. Material processing takes place at the Company's San Bartolomé plant near Potosi, which is the largest commercial oxide plant in Bolivia. The San Bartolomé plant produces silver doré bars and has a design throughput of 1.8 million tonnes per year. Andean also holds a portfolio of active exploration properties also located in Bolivia.

The Company's actions are led by the highest environmental, social, and corporate governance ("ESG") standards, evidenced by the relationships and programs that the Company has developed during its nearly two decades of presence in the Potosi municipality, 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 wider Americas.

3. Q2 2023 HIGHLIGHTS

- In Q2 2023, the Company produced approximately 1.2 million silver equivalent ounces ("Ag Eq oz") [(1)] or an increase of 22% compared to Q1 2023. During Q2 2023, the average head grade and recoveries were 119 g/t Ag and 79% compared to 106 g/t Ag and 79% in Q1 2023. The Company continue to see improvement in the material recoveries which improved from 76% in Q2 2022 to 79% in Q2 2023. The Company remains well positioned to achieve its full year 2023 production guidance.

- From the 1.2 million produced, 0.6 million Ag Eq oz were sold at an average realized price of $24.65 per ounce, for Q2 2023 revenues of $15.3 million. The 38% decrease in ounces sold in Q2 compared from Q1 2023 was due to the sales deferral of approximately 540,000 AgEq oz, which was classified as inventory and valued at $11.3 million. Subsequent to June 30, 2023, the bullion was sold for a total of $13.3 million based on an average realized price of $24.70 per ounce.

- In Q2 2023, cost of sales was $11.8 million or a decrease of 45% when compared to Q1 2023, predominantly due to lower ounces sold and a decrease of $1.2 million in mining and material purchasing costs.

- General and administrative expenses of $3.1 million was $0.7 million higher than Q1 2023 and $0.4 million improvement over the Q2 2022. The increase over Q1 2023 was due to increase activities on corporate development and a 15% strengthening of the Mexican peso relative to the U.S. dollar.

- For Q2 2023 and Q1 2023, reported income from mine operations was $2.4 million and $0.4 million, respectively, while net income attributable to equity holders of $0.2 million and $0.2 million, respectively.

- Earnings before interest, taxes, depreciation and amortization("EBITDA") [(2)] and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")[(2)] improved to $3.7 million and $4.9 million, respectively, compared with $1.5 million and $1.4 million in Q1 2023.

- Operating cash cost [(2)] per ounce of silver produced, net of by-product credits, of $19.15 or a decrease of 10% when compared with Q1 2023.

- All-in sustaining costs ("AISC")[(2)] per silver ounce sold, net of by-product credits of $23.69 or a decrease of 2% when compared to the Q1 2023.

- Positive working capital of $90.3 million as at June 30, 2023, including liquid assets of $89.9 million, comprised of $70.4 million in cash, silver bullion of $13.3 million, marketable securities of $4.7 million and VAT certificates receivable of $1.5 million. Liquid assets were $91.8 million as at December 31, 2022.

- Debt-free balance sheet with cash and cash equivalents of $70.4 million. Cash and cash equivalent was lower due to deferring sales of approximately 540,000 AgEq oz, which were sold in July at an average price per Ag oz of $24.70, representing revenue of $13.3 million.

- Pursuant to its normal course issuer bid ("NCIB"), the Company repurchased and cancelled 1,430,500 shares at an average purchase price of C$0.77 per share for a total of $0.8 million (C$1.1 million) Since the inception of the NCIB in the fall of 2022, a total of 2,379,600 shares at an average purchase price of C$0.80 have been repurchased and cancelled for a total of $1.4 million (C$1.9 million).

- The Company continued to advance the silver recovery project at the Company's fines disposal facility ("FDF") and expects production to begin in first half of 2024.

(in thousands of US dollars, unless otherwise noted)

- The Company signed a mineral purchase agreement with Empresa Minera Bedrock S.R.L ("Bedrock") for 170,000 metric tonnes over the next 24 months from Bedrock's Alta Vista located 420 km from San Bartolomé. The materials from the Alta Vista project have an expected head grade of approximately 350 g/t. The first material delivery is expected in late Q3 2023.

Environment health and safety

- Lost time injury frequency rate ("LTIFR")(3) was zero during Q2 2023, achieved a significant safety milestone of approximately 1.452 million operating hours with no lost time injury("LTI").

- Zero significant environmental incidents and zero reportable spills in the second quarter and year-to-date

(1) 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-GAAP Financial Measures, Ratios and Supplementary Financial Measures" section of the MD&A for further detail.
(2) AISC, operating cash costs ("OCC"), EBITDA an Adjusted EBITDA are measures of financial performance with no prescribed definition under IFRS. Refer to the "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" section of the MD&A for further detail, including a reconciliation of these metrics to the financial statements.
(3) LTIFR refers to the number of lost time injuries occurring in a workplace per 1 million hours worked. While LTI include all on-the-job injuries that require a person to stay away from work more than 24 hours or which result in death or permanent disability.

4. 2023 OUTLOOK UPDATE AND GUIDANCE

- The Company's 2023 outlook was disclosed in the MD&A for the year ended December 31, 2022, and 2021 filed under the Company's profile on SEDAR at www.sedar.com.

- The Company is reaffirming its full year 2023 production guidance of 4.8 million to 5.2 million Ag Eq oz and increasing AISC from $20.30 and 22.00 per Ag Eq oz to $20.90 and $21.95 per Ag Eq oz. As previously disclosed approximately 54% of 2023 production is expected in the second half of 2023 as the Company signs new material purchase contracts, the metallurgy improves from the third-party material and the processing plant continues to operate at nameplate capacity.

- Due to revised engineering design and procurement plans, capital expenditures are expected to be in the range of $6.5 million to $8.5 million from $8.0 million to $10.0 million of the original guidance. The Company continues to work with consultants on advancing the FDF project, including advanced metallurgical testing and geotechnical studies. The Company has started assessing engineering and construction options, in the development of the project and expects to commence production in the first half of 2024.

- During 2023, the Company will continue to process material from its surface deposits (termed "Pallacos") and from recently signed new material purchasing contracts for the Alta Vista deposits. The Company will continue to purchase material from community mining partners and explore opportunities to source additional material from other third parties and COMIBOL.

The following table sets out Andean's year to date results against its original full year 2023 guidance as well as revised guidance:

	YTD 2023 Actual	2023 Original Guidance(1)	Revised 2023 Guidance(2)
Silver equivalent production	**2.2 million oz**	**4.8 million to 5.2 million oz**	**4.8 million to 5.2 million oz**
AISC (by-product)	**$23.89/Ag oz**	**$19.50 to $20.30/Ag oz**	**$20.90 to 21.95/Ag oz**
Capital expenditures	**$0.9 million**	**$8 million to $10 million**	**$6.5 million to $8.5 million**

(1) Andean's commodity price assumptions supporting this estimate are $21.00/ounce silver.
(2) Andean's commodity price assumptions supporting this estimate are $22.00/ounce silver.

5. FINANCIAL AND OPERATIONAL RESULTS

	Units	Q2 2023	Q1 2023	Change Q2-22 v Q1-22	Q2 2022	Change Q2-23 v Q2-22	YTD 2023	YTD 2022	% Change
Operational Performance									
Tonnes mined [(1)]	k dmt	**468**	433	8%	540	(13%)	**901**	1,019	(12%)
Average mined grade	Ag g/t	**43**	53	(18%)	102	(58%)	**48**	99	(52%)
Tonnes purchased [(2)]	k dmt	**167**	89	88%	117	43%	**256**	234	9%
Average purchased grade	Ag g/t	**186**	214	(13%)	221	(16%)	**196**	216	(9%)
Tonnes milled [(3)]	k dmt	**385**	375	3%	407	(5%)	**760**	813	(7%)
Daily average throughput	dmt	**4,561**	4,461	2%	4,769	(4%)	**4,511**	4,714	(4%)
Average head grade	Ag g/t	**119**	106	12%	126	(5%)	**113**	121	(7%)
Silver recovery	%	**79**	79	0%	75	6%	**79**	76	4%
Silver production	k oz	**1,189**	978	22%	1,236	(4%)	**2,167**	2,387	(9%)
Gold production	oz	**396**	234	69%	902	(56%)	**630**	1,800	(65%)
Silver equivalent production [(4)]	k oz	**1,221**	998	22%	1,310	(7%)	**2,218**	2,530	(12%)
Silver sales	k oz	**620**	982	(37%)	1,225	(49%)	**1,602**	2,398	(33%)
Gold sales	oz	**-**	215	(100%)	900	(100%)	**215**	1,571	(86%)
Silver equivalent sales [(4)]	k oz	**620**	1,000	(38%)	1,299	(52%)	**1,620**	2,526	(36%)

Silver Equivalent Production Breakdown by Source									
Pallacos	k oz	**403**	388	4%	329	22%	**791**	842	(6%)
Mine reclamation stockpiles	k oz	**38**	165	(77%)	305	(88%)	**202**	395	(49%)
Cachi Laguna	k oz	**125**	120	5%	242	(48%)	**245**	414	(41%)
Oxide purchases	k oz	**655**	325	101%	434	51%	**980**	879	11%
Total	k oz	**1,221**	998	(7%)	1,310	(7%)	**2,218**	2,530	(12%)

(In thousands except for per oz numbers)	Q2 2023	Q1 2023	% Change	Q2 2022	% Change	YTD 2023	YTD 2022	% Change
Financial Performance								
Revenue	**$ 15,284**	23,045	(34%)	$ 28,892	(47%)	**$ 38,329**	$ 58,780	(35%)
Cost of sales	**11,771**	21,217	(45%)	24,532	(52%)	**32,988**	45,179	(27%)
Income from mine operations	**2,448**	374	555%	3,613	(32%)	**2,822**	10,037	(72%)
Net income (loss)	**169**	219	(23%)	(6,184)	(103%)	**388**	(3,909)	(110%)
Net income (loss) per share								
-Basic	**0.00**	0.00	(100%)	(0.04)	(100%)	**0.00**	(0.02)	(100%)
-Diluted	**0.00**	0.00	(100%)	(0.04)	(100%)	**0.00**	(0.02)	(100%)
Net cash (used in) provided from operating activities	**(5,293)**	(4,323)	22%	45	(11862%)	**(9,616)**	2,748	(450%)
Free cash flow[(5)]	**(5,588)**	(4,886)	14%	(633)	783%	**(10,474)**	1,579	(763%)
EBITDA[(5)]	**3,657**	1,516	141%	(3,597)	202%	**5,173**	4,474	16%
Adjusted EBITDA[(5)]	**4,928**	1,373	203%	(715)	789%	**5,527**	4,653	19%
Ending cash and cash equivalents	**70,427**	75,793	(7%)	88,449	(20%)	**70,427**	88,449	(20%)
Capital expenditures	**295**	563	(48%)	634	(53%)	**858**	1,169	(27%)
Operating cash costs (by-product)[(5)] -per ounce produced	**$ 19.15**	$ 21.55	(11%)	$ 18.86	2%	**$ 20.24**	$ 18.02	12%
Operating cash costs (by-product)[(5)] -per ounce sold	**$ 18.99**	$ 21.18	(10%)	$ 18.68	2%	**$ 20.33**	$ 17.62	15%
All-in sustaining costs-sold (by-product)[(5)]- per ounce sold	**$ 23.69**	$ 24.27	(2%)	$ 21.38	11%	**23.89**	20.15	19%

(1) Material mined during 2023 and 2022 includes material from the Company's permitted areas, including Santa Rita, Huacajchi, Antuco, El Asiento, Monserrat and Tatasi-Portugalete. Mined material is reported as Run-of-Mine ("ROM").
(2) Purchased material includes oxidized material purchased from local mining cooperatives as well as through the Company's contract with RALP Compañia Minera S.R.L. ("RALP").
(3) Tonnes milled is reported as +8 mesh. Thacronym "dmt" means dry metric tonnes.

(4) Silver equivalent production and silver equivalent sales include gold production and sales, respectively. Equivalent ounces are calculated using the Company's average realized gold and silver prices during the referenced period. Refer to the "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" section of the Company's MD&A for further detail.
(5) FCF, EBITDA, Adjusted EBITDA, OCC, costs per tonnes and AISC are measures of financial performance with no prescribed definition under IFRS. Refer to the "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" section of the Company's MD&A for further detail, including a reconciliation of these metrics to the financial statements.

6. SAN BARTOLOMÉ OPERATIONS UPDATE

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

Andean extracts material in partnership with the state-owned mining company, COMIBOL. Pursuant to a production agreement, the Company pays production royalties to COMIBOL in return for the rights to mine, transport and process mineralized Pallacos from the Santa Rita, Huacajchi and Antuco sectors. Production from the Monserrat area, approximately 390 km south of San Bartolomé, was also previously consolidated under Manquiri's production contract with COMIBOL. In early 2021, the Company completed negotiations with the community situated near the Monserrat area and entered a fixed rate production contract to replace 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 gold and silver bearing material to the San Bartolomé plant for processing. The underlying mineral rights of Cachi Laguna are held by RALP through contracts with COMIBOL. This production material is expected to be fully depleted in Q3 2023 and Andean is in discussions with RALP to pursue an exploration campaign within the Cachi Laguna area to find and define new precious metal-bearing, in situ material.

The Company also maintains various other agreements to purchase oxidized, precious metal-bearing material from local miners based on market rates for processing at the San Bartolomé plant.

Work is progressing as planned for the construction of the FDF tailings silver recovery project. In parallel to the construction work, the Company its updating mineral resource estimate ("MRE"), incorporating silver ounces contained in the stockpiles at the FDF/DSF tailings. The new MRE will be disclosed in an NI 43-101 technical report which will be filed when completed during the third quarter of 2023.

Q2 2023 compared to Q2 2022

a) Mine and mill production

During the Q2 2023, mining activities were carried out at Pallacos, Kolpani and Cachi Laguna. Total tonnes mined were 0.5 million tonnes at an average grade of 43 g/t in the second quarter of 2023 compared with 0.6 million tonnes at an average grade of 102 g/t in the second quarter of 2022.

Q2 2023 tonnes purchased were 167,000 tonnes with average grade of 186 g/t Ag compared with 117,000 tonnes purchased with average grade of 221 g/t Ag during Q2 2022. The increase in tonnes purchased and delivered to the plant was largely due to the higher silver price, which incentivised the local cooperatives to restart previous dormant mining operations. The addition of purchased materials from Kolpani also contributed to an increase in material purchased.

Total process plant throughput for the second quarter of 2023 was 385,000 tonnes, averaging 4,561 tonnes per calendar day, compared to 407,000 tonnes, averaging 4,769 tonnes per calendar day in the second quarter of 2022. The 5% decrease in throughput in Q2 2023 when compared to Q2 2022 was a result of the increased hardness of materials from Huacajchi and unscheduled two and a half days of repairs and maintenance carried out on the San Bartolomé processing plant.

b) Metal production

During Q2 2023, production decreased to 1.2 million Ag Eq oz from 1.3 million Ag Eq oz in Q2 2022 primarily due to lower ore mined in Q2 2023 compared with Q2 2022. Production was also negatively affected by lower head grade and mill throughput, partially offset by higher recoveries. During the Q2 2023, the average head grade and recoveries were 119 g/t Ag and 79% compared to 126 g/t Ag and 75% in Q2 2022.

c) Costs per tonnes

In Q2 2023, the mining and haulage costs were $5.60 per tonne, down 37% when compared to Q2 2022. The 37% decrease in the mining and haulage costs per tonnes was largely due to 0.4 million tonnes of ore material mined during Q2 2023 compared with 0.5 million tonnes of ore material mined in Q2 2022. The variance of 0.1 million tonnes variance was due to stoppage of mining activities at certain sector of Pallacos during Q2 2023. Material purchasing costs were $37.84 per tonne, down 33% compared to $56.08 per tonne in Q2 2022, primarily due to a 16% decrease in the average head grade of material purchased from 221 g/t Ag to 186 g/t Ag. Milling and processing costs in Q2 2022 were $28.64 per tonne, 10% higher than $26.02 per tonne in Q2 2022, largely due to impact of inflation on the price of consumable.

d) *Operating cash costs per ounce produced*

Operating cash costs for silver ounces produced, on a by product basis, were $22.8 million or $19.15 per ounce in Q2 2023 compared to $23.3 million or $18.86 in Q2 2022. The decrease in total operating cash costs per ounce produced was due to a decrease in the haulage costs resulting from a reduction in material feed from Tatasi-Portugalete, lower refining costs and lower material purchasing cost.

7. EXPLORATION ACTIVITIES

Following the Company's review of its capital deployment strategy, exploration and evaluation activities in Q2 2023 were reduced compared to Q2 2022., following the Company decision to focus on strategic utilization of capital.

San Pablo

As of June 30, 2023, the Company had completed 22 diamond drill holes representing 9,170 meters of drilling, ground geophysical surveys in concert with geologic mapping, and sampling at the San Pablo project. Despite encountering locally high-grade gold mineralization, continuity of mineralization was not demonstrated, and the decision was made to terminate the project and the project was returned to the owner.

Cachi Laguna

Since 2021, the Company has obtained high-grade, oxidized, precious metal mineralization under contract with the project's owner, RALP, a private Bolivian company. The original tonnage purchased under contract with RALP, was achieved. In the second quarter of 2023, the Company continued its evaluation of the potential for Cachi Laguna area to provide additional, contracted feed for its San Bartolomé mill. A plan to drill 21 new core holes, representing 1,000 meters of drilling, is expected to commence in the third quarter of 2023.

Other exploration activities

Other exploration activities during the second quarter also included identifying new sources of mill feed. All the areas evaluated are controlled by private, Bolivian owners.

(in thousands of US dollars, unless otherwise noted)

8. TRENDS AND ECONOMIC CONDITIONS

Commodity prices:

The Company's profitability is materially impacted by the market price of precious metals which can fluctuate widely and are impacted by factors beyond the Company's control. During Q2, the spot price of ounce of silver fluctuated between a low of $22.34 and a high of $26.03. The LBMA average spot price per ounce of silver for the three months and six months ended June 30, 2023, was $24.13 per ounce and $23.40 per ounce, respectively, an increase of 7% or $1.53 per ounce and less than 1% or $0.08 per ounce from the comparative prior year periods. The Company's average realized price per ounce for the three months and six months ended June 30, 2023 were $24.65 per ounce and $23.67 per ounce, respectively.

`	Three months ended June 30,			Six months ended June 30,		
Spot price per ounce of silver	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Low	**$22.34**	$20.42	9%	**$22.34**	$20.42	9%
High	**$26.03**	$25.92	1%	**$26.03**	$26.18	(1%)
Average	**$24.13**	$22.60	7%	**$23.40**	$23.32	0%
Average realized price of Ag Eq oz	**$24.65**	$22.24	11%	**$23.67**	$23.29	2%

Foreign exchange

The Company has operations in Bolivia, a corporate office in Mexico and a presence in Canada and Sweden. The Company receives its revenue from the sale of silver and gold denominated in U.S. dollars. A significant portion of the Company's costs are impacted by the performance of key currencies relative to the U.S. dollar.

Since 2008, the Bolivian Boliviano has been fixed against the US dollar at a rate of 6.96 Bolivian Bolivianos. There can be no guarantee that the Boliviano will continue to be fixed to the US dollar.

The following table shows the spot prices of the Canadian dollar ("CAD") and Mexican peso ("MXN") relative to the U.S. dollar.

	Three months ended June 30, 2023		Three months ended June 30, 2022,	
Spot price	**CAD**	**MXN**	CAD	MXN
Closing	**1.3250**	**17.11**	1.2883	20.13
Low	**1.3146**	**17.07**	1.2484	19.53
High	**1.3643**	**18.31**	1.3031	20.56
Average	**1.3429**	**17.69**	1.2758	20.02

	Six months ended June 30, 2023		Six months ended June 30, 2022	
Spot price	CAD	MXN	CAD	MXN
Closing	**1.3250**	**17.11**	1.2883	20.13
Low	**1.3146**	**17.07**	1.2482	19.53
High	**1.3831**	**19.46**	1.3031	21.36
Average	**1.3474**	**18.17**	1.2712	20.26

The Company does not currently hedge either the Canadian dollar or the Mexican peso.

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

9. FINANCIAL RESULTS

a) Overview of financial results of Q2 2023 compared to Q2 2022

Net income of $0.2 million was recognized in the second quarter of 2023, compared to net loss of $6.2 million in the second quarter of 2022. The increase in Q2 2023 net income was largely due to realized and unrealized gains from the derivative contracts on silver sales of $3.3 million partly offset by the decrease in income from mine operations, which was largely impacted by both a 47% decrease in realized revenue from silver sales primarily due to deferment of sales of silver bullion and $1.2 million increase in income tax expense related to the Manquiri operations.

To mitigate steep volatility during the months of May and June, the Company deferred the sale of approximately 540,000 Ag Eq oz during Q2 2023 and $11.3 million of costs were recorded as an inventory line item of the statement of financial position. Subsequent to quarter end, the silver bullion was sold at an average realized price of $24.70 per ounce.

Adjusted EBITDA was $4.9 million in Q2 2023, compared to negative of $0.7 million in Q2 2022. The increase in Adjusted EBITDA was primarily due to net income of $0.2 million in Q2 2023 compared to net loss of $6.2 million in Q2 2022 to net income of $0.2 million in Q2 2023 and a decrease in the change in fair value of marketable securities.

Revenue

For the second quarter of 2023, the Company recognized revenue of $15.3 million, a 47% or $13.6 million decrease when compared to Q2 2022. The decrease was due to 0.6 million Ag Eq oz sold at an average realized silver price of $24.65 per ounce compared to 1.2 million Ag Eq oz sold at an average realized silver price of $22.24 in Q2 2022. The $2.40 per ounce increase in average realized silver price impacted revenue by an increase of $1.5 million for Q2 2023, while the 0.6 million decrease in silver equivalent ounces sold, impacted revenue by a decrease of $15.1 million during Q2 2023.

The 0.6 million Ag Eq ounces negative variance is attributable to the sale deferment of approximately 540,000 Ag Eq oz as of June 30, 2023. These 540,000 Ag Eq oz were sold in July 2023 at an average price of $24.70 per ounce totaling $13.3 million in revenue.

Cost of sales

Cost of sales, which comprises the total cost of operations excludes depreciation and depletion, was $11.8 million in Q2 2023 compared with $24.5 million in Q2 2022, representing a 52% or $12.6 million decrease from Q2 2022. The 52% decrease was predominantly due to sale deferment of approximately 540,000 Ag Eq oz and associated costs classified as inventory. As at June 30, 2023, the value of the inventory, recognized as part of inventories in the statement of financial position, was $11.3 million.

Total production costs on a sales basis, consisting of costs attributable to the Company's mining, ore purchasing and plant operations, were $9.7 million during the second quarter ended June 30, 2023, compared to $22.4 million during the quarter ended June 30, 2022. Total production costs, recognized on a sales basis, decreased by $12.6 million quarter over quarter predominantly due to $10.6 million net inventory adjustment for the ounces held back as inventory and $2.1 million lower mining and material purchasing costs.

Mining royalty taxes were $2.0 million during the quarter ended June 30, 2023, compared to $2.1 million during the quarter ended June 30, 2022. 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 ounces produced and exported.

(in thousands of US dollars, unless otherwise noted)

Depreciation and depletion

Depreciation and depletion expenses form a component of operating costs and were $1.1 million during Q2 2023, compared to $0.7 million during Q2 2022. Depreciation and depletion expenses in Q2 2023 were primarily due to accelerated depreciation of plant and mineral properties associated with Pallacos.

General and administrative expenses

General and administrative expenses were $3.1 million during the second quarter ended June 30, 2023, down 12% compared to the second quarter ended June 30, 2022. Items included in general and administrative expenses are as follows:

`	Three months ended June 30,		
	2023	**2022**	**Change**
Salaries and general office administration	$ 2,118	$ 1,780	19%
Share based compensation	236	449	(47%)
Corporate development	403	749	(46%)
Other expenses	209	433	(52%)
Community relations	154	139	11%
	$ 3,120	$ 3,550	(12%)

Exploration and evaluation expenses

Exploration and evaluation expenses was $0.6 million or 61% lower than Q2 2022. The decrease was due to cessation of exploration activities at the San Pablo properties. $0.2 million of exploration spending during Q2 2022 was related to the FDF project.

Other income

Other income was $2.6 million during the second quarter ended June 30, 2023, compared to negative $3.0 million during the second quarter ended June 30, 2022. The increase of $5.5 million primarily due to $2.3 million realized gain on unwinding of forward contracts, $1.0 million unrealized gain on the fair value of derivative contracts, a $1.4 million increase in the fair value "mark-to-market" adjustments of the Company's holdings of common shares of Santacruz Silver ("Santacruz") and an interest income of $0.6 million on the short-term investments of the Company's cash balance.

In April 2023, to mitigate the risks associated with fluctuating silver prices, the Company entered into a zero-cost collar to hedge the price on a portion of silver associated with the San Bartolomé mine's production. The collar contracts were written at an average put strike price of $23.00 per ounce and an average call strike price of $30.00 per ounce, for 200,000 ounces per month beginning August 2023 through to December 2023. As of June 30, 2023, the fair value of these contracts was a net asset of $1.0 million included in other current assets in the statement of financial position and corresponding unrealized gain in other income or loss line item of condensed consolidated interim statements of (loss) income. The fair value of silver collar contracts was determined based on option pricing models, silver future forward prices and information provided by the counter party.

During the second quarter of 2023, the Company entered into silver sales forward contracts for the delivery of 1,025,000 ounces of silver at an average price of $25.75 per ounce. As a result of the decrease in the silver price, the forward contracts were unwound, and net cash settled in May 2023. As a result of the unwinding of silver forward contracts, the Company recognized a realized gain of $2.3 million in Q2 2023.

Finance costs

Finance costs in Q2 2023 were $0.4 million, up 20% compared to $0.3 million of Q2 2023. Finance costs, consist of accretion expense on reclamation provision and banking expenses. The increase was primarily due an increase to accretion expense due to remeasurement of the liability during Q4 2022.

Income tax expense

Income tax expenses in Q2 2023 were $2.0 million, up 34% compared to $1.5 million in Q2 2022. The income tax expense recorded in Q2 2023 included a current income tax expense of $2.3 million (Q2 2022 - $1.0 million) and a deferred income tax recovery of $0.2 million (Q2 2022 - $0.5 million). Income tax expense is related to its Bolivian operations and recognized based on management's estimate of the weighted average Bolivian statutory tax rates expected for the full financial year.

Overview of financial results of six months ended June 30, 2023 compared to the six months ended June 30, 2022

Net income attributable to equity holders of the Company for the six months ended June 30, was $0.4 million, compared to net loss of $3.9 million or $0.02 per share in the same prior year period. For the six months ended June 30, 2023, the Company's financial results were largely impacted by the following:

(i) a decrease of 36% or 906,000 in Ag Eq oz sold, including 540,000 Ag Eq oz the Company deferred the sale as of June 30, 2023. Subsequent to the quarter end, the silver bullion was sold at an average realized price of $24.70.

(ii) a realized and unrealized gain from the derivative contracts on silver sales of $3.3 million.

(iii) an increase of $1.8 million in foreign exchange gain arising from the appreciation of the US dollar against the Company's functional currencies, mainly the Canadian dollar and premiums realized on the selling of the U.S dollar to Bolivianos through financial institutions in Bolivia. During six months period of 2023, as a result of a shortage of U.S dollars in Bolivia, financial institutions were buying U.S. dollars an exchange rate of 7.40 Bolivianos per U.S. dollar against the official rate of 6.96 Bolivianos per U.S. dollars.

(iv) Decrease of $1.0 million in depreciation and depletion.

Adjusted EBITDA of $5.5 million was recognized for the six months ended June 30, 2022, compared with $4.6 million of the same period in 2022. A $0.9 million or 19% increase in Adjusted EBITDA was primarily due to lower income tax expenses.

Revenue

Revenue for the six months ended June 30, 2023, was $38.3 million, down 35% or $20.5 million, compared to $58.8 million in the comparable period last year. Andean sold 1.6 million Ag Eq oz during the six months ended June 30, 2023, at an average realized price of $23.66 per silver ounce compared with 2.5 million Ag Eq oz during the six months ended June 30, 2022, at an average realized price of $23.29 per silver ounce. The decrease of 906,000 Ag Eq oz or 36% variance from last year ounces sold during the six months ended June 30, 2023, is attributable to the sale deferment of approximately 540,000 Ag Eq oz as of June 30, 2023, recorded in inventory line item in the statement of financial position.

Cost of sales

Cost of sales, which comprise the total cost of operations excluding depreciation and depletion, were $33.0 million during the six months ended June 30, 2023, compared to $45.2 million during the six months ended

(in thousands of US dollars, unless otherwise noted)

June 30, 2022. Total operating costs are recognized on a sales basis and items included in full costs of production are as follows:

`	Six months ended June 30,		
	2023	**2022**	**Change**
Ore purchasing	$ 9,615	$ 11,392	(16%)
Mining and ore haulage	6,025	7,399	(19%)
Milling and processing	20,431	18,040	13%
Production administration	2,894	3,135	(8%)
Total operating costs	**38,965**	**39,966**	**(3%)**
Refining and shipment	1,575	1,587	(1%)
Royalties and production taxes	3,732	4,396	(15%)
Net inventory adjustments	(11,284)	(770)	1,365%
Total costs of sales	$ 32,988	$ 45,179	(27%)

The 27% decrease in cost of sales during Q2 2023 was predominantly due to deferment of approximately 540,000 Ag Eq oz and the associated costs classified as inventory. As at June 30, 2023, the value of the bullion, recognized as part of inventories in the statement of financial position, was $11.3 million. The decrease in total operating costs was further attributed to a decrease in the haulage cost resulted from the decrease in Tatasi-Portugalete material feed and lower material purchasing cost impacted by a lower grade of material purchased compared to the same period of last year.

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 ounces produced and exported.

Depreciation and depletion

Depreciation and depletion costs form a component of operating costs and were $2.5 million during the six months ended June 30, 2023 compared to $3.6 million during the six months ended June 30, 2022. The decrease in depreciation and depletion costs is attributable to lower ounces sold.

(in thousands of US dollars, unless otherwise noted)

General and administrative expenses

General and administrative expenses decreased to $5.6 million during the six months ended June 30, 2023, compared to $6.4 million during the six months ended June 30, 2022. Items included in general and administrative expenses are as follows:

`	Six months ended June 30,		
	2023	**2022**	**Change**
Salaries and general office administration	$ 4,000	$ 3,232	24%
Share-based compensation	365	1,034	(65%)
Corporate development	576	1,056	(45%)
Other expenses	318	867	(63%)
Community relations	316	233	36%
	$ 5,575	$ 6,422	(13%)

Exploration and evaluation expenses

During Q1 2023, the San Pablo project exploration activities were terminated, and the project was returned to the previous owner. As a result of the termination, the amount of $0.9 million accrued for payment, on achievement of certain milestone, to the previous owner was reversed and credited in the exploration and evaluation expenses in Q1 2023.

Exploration and evaluation expenses, net of a $0.9 million credit resulting from the reversal of an accrual, was a negative $0.1 million for the six months ended June 30, 2023, compared to $1.9 million expense for the same period of 2022. The decrease was due to a cessation of exploration activities at the San Pablo properties. During the six months ended June 30, 2023, $0.5 million of the $1.0 million exploration spending was on the FDF project.

Other income (loss)

Other income was $3.9 million during the six months ended June 30, 2023, up $4.3 million compared to negative $3.0 million during the same prior year period. The increase of $4.3 million was predominantly due to a $2.3 million realized gain on the unwinding of forward contracts, a $1.0 million unrealized gain on the fair value of derivative contracts, which are valued using the option pricing model and interest income of $1.0 million from the short-term investments of the Company's cash balance.

Finance costs

Finance costs, consist of accretion expenses on reclamation provision and banking expenses, in the six months ended June 30, 2023 were 0.8 million, up 22% compared to $0.7 million of the same prior year period. The increase was primarily due to an increase in accretion expense impacted by the remeasurement of the reclamation liability during Q4 2022.

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(in thousands of US dollars, unless otherwise noted)

Income tax expense

Income tax expenses during the six months ended June 30, 2023, were $1.5 million, down 64% compared to $4.2 million in the same prior year period. The income tax expense recorded in six months ended June 30, 2023, included a current income tax expense of $1.9 million (six months ended June 2022 - $3.5 million) and a deferred income tax recovery of $0.5 million (six months ended June 2022 – deferred income tax expense of $0.7 million). Income tax expense is related to its Bolivian operations and recognized based on management's estimate of the weighted average Bolivian statutory tax rates expected for the full financial year.

The decrease in current income tax expense was predominantly due to lower taxable income and the deductibility of previously non-deductible specified purchases of oxides in previous year. On the advice of experts, the Company identified opportunities to reduce non-deductible expenditures in Bolivia and has begun to implement such reductions from September 2022.

Deferred income taxes recovery of $0.5 million related to the tax effects of temporary differences between accounting and tax basis of the assets and liabilities of the Bolivia operations.

Review of the statements of financial position as at June 30, 2023 compared to December 31, 2022

		June 30, 2023		December 31, 2022
Assets				
Current	**$**	**110,880**	$	109,300
Non-current	**$**	**24,314**	$	24,557
Total	**$**	**135,194**	$	133,857
Liabilities				
Current	**$**	**20,611**	$	19,025
Non-current	**$**	**20,678**	$	20,405
Total	**$**	**41,289**	$	39,430

Current assets were $110.8 million as at June 30, 2023, down from $109.3 million as at December 31, 2022 primarily as a result of the following:

- $10.3 million decrease in cash and cash equivalents.
- $12.7 million increase in inventories primarily attributable to deferring sales of the approximately 540,000 Ag Eq oz during Q2 2023, recorded as inventory.
- $0.7 million decrease in marketable securities due to a loss in the underlying share price of the Company's shareholdings of Santacruz.
- $3.1 million decrease in current VAT receivables due to VAT certificates utilized.
- $0.8 million increase in prepaid resulting from prepayment of insurance premium for various policy renewed in June 2023.

Non-current assets decreased to $24.3 million as of June 30, 2023 from $24.6 million as at December 31, 2022 largely due to a $2.4 million increase in VAT receivables, a $0.5 million increase in deferred tax assets and a decrease of $3.1 million in property plant and equipment. The decrease or increase to the items included in the non-current assets are explained as follows:

- The carrying value of property, plant and equipment as of June 30, 2023, was $13.4 million compared to $16.6 million as at December 31, 2022. The decrease was primarily due to depreciation, depletion and amortization of property, plant and equipment in the normal course of operations during the period partially offset by $0.9 million additions of property, plant and equipment.
- The increase in deferred income tax asset was primarily due to the tax effects of temporary differences between the accounting and tax basis of the balances related to the Bolivian operations.

(in thousands of US dollars, unless otherwise noted)

Current liabilities increased to $20.6 million as of June 30, 2023, from $19.0 million as at December 31, 2022. The increase was primarily due to an increase of $0.7 million accounts payable and accruals and $0.4 million in income taxes payable on Bolivian source income.

Non-current liabilities of $20.6 million as of June 30, 2023 is comparable to the $20.4 million as at December 31, 2022. The marginal increase was due to the addition of accretion expense to the reclamation provision.

10. LIQUIDITY AND CAPITAL RESOURCES

Capital resources

Historically, the Company's principal sources of liquidity have been mostly from cash flow from operations. 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 several 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 additional 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 additional financing it might require in the future.

During Q2 2023, the Company entered into silver collar contracts with an average put strike price of $23 per ounce and an average call strike price of $30 per ounce, for 200,000 ounces per month beginning August 2023 through to December 2023. As at June 30, 2023, the contracts were measured using the option pricing model and recognized an unrealized gain of $1.0 million in statement of financial position.

As at June 30, 2023, Andean was not subject to any externally imposed capital requirements.

Cash Flow

	For the six months ended			
		June 30, 2023		June 30, 2022
Net cash (used in) provided from operating activities	**$**	**(9,616)**	$	2,748
Net cash used in investing activities	**$**	**(1,033)**	$	(1,081)
Net cash used in financing activities	**$**	**(1,087)**	$	(88)

Cash and cash equivalents as of June 30, 2023, were $70.4 million, down 13% or $10.3 million compared to $80.7 million as at December 31, 2022. The decrease is mainly due to a $9.6 million decrease in operating cash flow impacted by lower revenue and share repurchased transactions of $1.2 million in cash outflows from financing activities, partially offset by a $1.4 million gain from exchange rate changes on cash holdings. During the six months ended June 30, 2023, the Company sold 1.6 million Ag Eq oz compared with 2.5 million Ag Eq oz of the same period in 2022. The decrease in sales of silver ounces is attributable to the sale deferment of approximately 540,000 Ag Eq oz as of June 30, 2023, recorded in inventory line item in the statement of financial position. These 540,000 Ag Eq oz were sold in July 2023 at an average price of $24.70 per ounce totaling $13.3 million in revenue.

Net cash used in operating activities for the six months ended June 30, 2023, was $12.4 million lower than the same period ended June 30, 2022, primarily driven by a $2.5 million decrease in income from mine operations arising from lower production, higher total production costs and a $9.9 million increase in working capital. As noted above, a decrease in silver production drove the decrease in operating income, while the change in working capital was driven primarily by the increase in inventory of silver bullion.

(in thousands of US dollars, unless otherwise noted)

Net cash used in investing activities for the six months ended June 30, 2023, was $1.0 million compared with $1.1 million for the six months ended June 30, 2022. During the six months ended Q2 2023 the Company spent $0.6 million on additions to property plant and equipment at its Bolivian operations.

Net cash used in financing activities for the six months ended June 30, 2023, consisted primarily of $1.2 million of shares purchased for cancellation pursuant to the Company's NCIB.

Cash and working capital

The Company had $70.4 million in cash and cash equivalents and positive net working capital of $90.3 million as at June 30, 2023, consisting of current assets of $110.9 million less current liabilities of $20.6 million.

Contractual obligations and operating commitments

A summary of contractual obligations and operating commitments as at June 30, 2023, are as follows:

	Total	Within 1 year	1 - 2 years	3 - 5 years	Greater than 5 years
Provision for reclamation [1]	$ 20,625	$ 335	$ 13,331	$ 6,959	$ -
Other provisions	4,538	4,150	388	-	-
EPCM contracts	4,120	4,120	-	-	-
	$ 29,283	$ 8,605	$ 13,719	$ 6,959	$ -

1. The provision for reclamation represents the undiscounted amount of the estimated cash flows required to settle the mine closure obligations of the San Bartolomé mine.

11. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount is reliably estimable. The Company is not involved in any legal proceedings other than routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on its business, financial condition or results of operations.

12. SUMMARY OF QUARTERLY RESULTS

	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Revenue	**$ 15,284**	$ 23,045	$ 25,666	$ 23,603
Net income (loss)	**$ 169**	$ 219	$ (3,341)	$ (2,840)
Earnings (loss) per share				
Basic	**$ 0.00**	$ 0.00	$ (0.02)	$ (0.02)
Diluted	**$ 0.00**	$ 0.00	$ (0.02)	$ (0.02)
Total assets	**$ 135,194**	$ 128,736	$ 133,857	$ 139,050
Total financial liabilities	**$ 41,289**	$ 34,361	$ 39,430	$ 41,757

	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Revenue	$ 28,892	$ 29,888	$ 31,131	$ 36,691
Net (loss) income	$ (6,184)	$ 2,274	$ 74	$ 1,846
Earnings(loss) per share				
Basic	$ (0.04)	$ 0.01	$ 0.00	$ 0.01
Diluted	$ (0.04)	$ 0.01	$ 0.00	$ 0.01
Total assets	$ 144,198	$ 145,201	$ 140,293	$ 137,472
Total financial liabilities	$ 44,515	$ 39,784	$ 37,735	$ 35,350

(in thousands of US dollars, unless otherwise noted)

13. 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 and other expenses are payable to companies controlled by the Executive Chairman and Chief Executive Officer of the Company.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	**2023**	**2022**
Management fees[1]	**$ -**	$ 771	**$ -**	$ 1,542
Other expenses [2]	**209**	-	**427**	-
Salaries and benefits	**606**	336	**1,170**	$ 635
Share-based compensation	**202**	443	**315**	$ 1,017
Total	**$ 1,017**	$ 1,550	**$ 1,912**	$ 3,194

(1) Management fees includes administrative costs and compensation costs and benefits of certain employees in Mexico who provide administrative and operational services to the Company.
(2) Other expenses include rental fees for the corporate office in Monterrey, administrative and operations support services and reimbursement for the expenses incurred on third party technology licenses and fees.

14. ACCOUNTING ESTIMATES, POLICIES AND CHANGES TO ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The critical estimates and judgments applied in the preparation of the June 30, 2023 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2022.

Management's estimates and underlying assumptions are reviewed on an ongoing basis. Any changes or revisions to estimates and underlying assumptions are recognized in the period in which the estimates are revised and in any future periods affected. Changes to these critical accounting estimates could have a material impact on the consolidated financial statements. The key sources of estimation uncertainty and judgment used in the preparation of the consolidated financial statements that might have a significant risk of causing a material adjustment to the carrying value of assets and liabilities and earnings are outlined in Note 4 of the consolidated financial statements for the year ended December 31, 2022.

New and amended IFRS standards that are effective for the current year:

In the current year, the Company has applied a number of new amendments to existing IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

In May 2023, the International Accounting Standards Board issued International Tax Reform – Pillar Two Model Rules, which amended IAS 12, Income Taxes (IAS 12). The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments apply to income taxes arising from changes to tax law enacted to implement the Pillar Two model rules published by the Organisation for

Economic Co-operation and Development("OECD"). The amendments became effective upon issuance, except for certain disclosure requirements which became effective for annual reporting periods beginning on or after January 1, 2023.

Future changes in accounting policies not yet effective in the current period

In April 2021, the IASB issued amendments to IAS 1- Presentation of Financial Statements ("IAS 1"). The amendments to IAS 1 clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted.

The Company will adopt the amendment on the date it becomes effective and is currently evaluating the impact of the amendment on its consolidated financial statements. Based on the currently available information, the Company does not anticipate any impact from this amendment on its financial statements.

In May 2023, the IASB issued amendments to IAS 7 requiring entities to provide qualitative and quantitative information about their supplier finance arrangements. In connection with the amendments to IAS 7, the IASB also issued amendments to IFRS 7 requiring entities to disclose whether they have accessed, or have access to, supplier finance arrangements that would provide the entity with extended payment terms or the suppliers with early payment terms. These amendments are effective on January 1, 2024, and are not expected to have a significant impact on the Company's financial statements.

15. NON-GAAP FINANCIAL MEASURES, RATIOS AND SUPPLEMENTARY FINANCIAL MEASURES

OCC, AISC and AIC

Operating cash costs ("OCC"), all-in sustaining costs ("AISC") and all-in costs ("AIC") are non-GAAP financial 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.

(i) OCC 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 revenue from gold sales.

(ii) *Costs per tonne*: The Company uses costs per tonne of material processed to manage and evaluate operating performance at its operation in Bolivia. Costs per tonne of ore processed is calculated based on total production costs on a produce basis, adjusted for changes in inventory, to arrive at total production costs that relate to material production during the period. These total production costs are then further divided into material purchase costs, mining costs and haulage costs, and milling costs. Mining costs includes costs of material and supplies, labour costs, applicable mine overhead costs, and mining contractor costs for mining material; haulage costs include freight charges for shipping stockpile material from mine sites to the plant, and milling costs include costs of materials and supplies, labour costs, and applicable mill overhead costs related to material processing. Mining costs per tonne is the mining and haulage costs divided by the tonnage of material mined and shipped from mine sites to mill site; material purchasing costs per tonne is the material purchasing costs divided by the tonnage of material purchased from third parties; and milling costs per tonne is the milling costs divided by the tonnage of ore processed at the mill. Costs per tonne of material processed are the total of per tonne material purchasing costs, per tonne mining and haulage costs, and per tonne milling and processing costs.

(iii) AISC on a by-product basis per ounce is a non-GAAP ratio calculated as AISC on a by-product basis divided by ounces of silver equivalent sold. AISC on a by-product basis is a non-GAAP financial

(in thousands of US dollars, unless otherwise noted)

measure calculated as the aggregate of production costs as recorded in the consolidated statements of (loss) income, refining and transport costs, cash component of sustaining capital expenditures, lease payments related to sustaining assets, corporate general and administrative expenses and accretion expenses. When calculating AISC on a by-product basis, all revenue received from the sale of gold is treated as a reduction of costs incurred. 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.

(iv) AIC represents AISC plus growth capital and non-sustaining exploration and evaluation costs.

(v) Non-sustaining exploration and evaluation costs represent costs associated with the Company's exploration portfolio, primarily relating to activities at the FDF and DSF. 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.

OCC

The following table provides a reconciliation of the OCC per silver ounce produced on a by-product basis to the Financials:

		Three months ended June 30,				**Six months ended June 30,**		
		2023		**2022**		**2023**		**2022**
Costs of sales, as reported	**$**	**11,771**	$	24,532	**$**	**32,988**	$	45,179
Add: Inventory adjustment		**10,999**		431		**11,285**		770
Total OCC before by-product credits		**22,770**		24,963		**44,273**		45,949
Less: by-product gold credits		**-**		(1,648)		**(415)**		(2,931)
Total OCC		**22,770**		23,315	**$**	**43,858**		43,018
Divided by silver ounces sold (k oz)		**1,189**		1,236		**2,167**		2,387
OCC per silver ounce, sold on a by-product basis	**$**	**19.15**	$	18.86	**$**	**20.24**	$	18.02

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

		Three months ended June 30,				**Six months ended June 30,**		
		2023		**2022**		**2023**		**2022**
Costs of sales, as reported	**$**	**11,771**	$	24,532	**$**	**32,988**	$	45,179
Total OCC before by-product credits		**11,771**		24,532		**32,988**		45,179
Less: by-product gold credits		**-**		(1,648)		**(415)**		(2,931)
Total OCC		**11,771**		22,884	**$**	**32,573**		42,248
Divided by silver ounces sold (k oz)		**620**		1,225		**1,602**		2,398
OCC per silver ounce, sold on a by-product basis	**$**	**18.99**	$	18.68	**$**	**20.33**	$	17.62

(in thousands of US dollars, unless otherwise noted)

AISC

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
OCC	**$ 11,771**	$ 22,884	**$ 32,573**	$ 42,248
General and administrative expenses	**3,120**	3,550	**5,575**	6,422
Sustaining capital expenditures(i)	**80**	634	**397**	1,081
Lease payments	**-**	44	**-**	88
Accretion for decommissioning liability	**354**	282	**672**	564
Less: Items included in G &A				
Business development	**(403)**	(749)	**(576)**	(1,056)
Share based compensation	**(236)**	(449)	**(365)**	(1.034)
Severance payment	**-**	-	**(5)**	-
AISC	**14,686**	26,196	**$ 38,271**	$ 48,313
Divided by silver ounces sold (k oz)	**620**	1,225	**1,602**	2,398
AISC per silver ounce, sold on a by-product basis	**$ 23.69**	21.38	**$ 23.89**	$ 20.15

(i) Sustaining capital expenditures reflect costs necessary to maintain current production.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
AISC	**$ 14,686**	$ 26,196	**$ 38,271**	$ 48,313
Non-sustaining exploration and evaluation(i)	**389**	993	**63**	1,904
Growth capital	**215**	-	**461**	-
AIC	**15,290**	27,189	**$ 38,795**	$ 50.217
Divided by silver ounces sold (k oz)	**620**	1,225	**1,602**	2,398
AIC per silver ounce sold, on a by-product basis	**$ 24.66**	$ 22.20	**$ 24.22**	$ 20.94

(i) 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 non-IFRS performance measures in this MD&A. The Company excludes certain items from net income (loss) to provide a measure that allows the Company and investors to evaluate the results of the underlying core operations of the Company and its ability to generate cash flow. 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.

(in thousands of US dollars, unless otherwise noted)

The following table provides a reconciliation of Adjusted EBITDA to the Financials:

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Net income (loss)	**$**	**169**	$	(6,184)	**$**	**388**	$	(3,909)
Add:								
Income taxes		**2,016**		1,501		**1,459**		4,159
Finance costs		**407**		339		**807**		660
Depreciation and depletion		**1,065**		747		**2,519**		3,564
EBITDA		**3,657**		(3,597)	**$**	**5,173**	$	4,474
Add: Non sustaining exploration and evaluation cost		**389**		-		**63**		-
Add: Corporate development		**403**		-		**576**		-
Less: Change in fair value of derivative contracts(i)		**(972)**		-		**(972)**		-
Less: Change in fair value of marketable securities(ii)		**1,451**		2,882		**687**		179
Adjusted EBITDA	**$**	**4,928**	$	(715)	**$**	**5,527**	$	4,653

(i) These amounts refer to fair value change on the derivative contracts on silver sales.
(ii) 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 less capital expenditures to provide a measure which allows the Company and investors to evaluate the ability of the Company to generate cash flow. 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:

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Net cash (used in) provided from operations	**$**	**(5,293)**	$	45	**$**	**(9,616)**	$	2,748
Less:								
Expenditures on property, plant and equipment		**(295)**		(634)		**(858)**		(1,081)
Lease payments		**-**		(44)		**-**		(88)
Free cash flow	**$**	**(5,588)**	$	(633)	**$**	**(10,474)**	$	1,579

Average Realized Gold and Silver Prices

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

The following table provides a reconciliation of average realized silver and gold prices to the Financials:

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		**2023**		2022
Silver revenue	**$**	**15,284**	$	27,244	**$**	**37,914**	$	55,849
Silver sold (k oz)		**620**		1,225		**1,602**		2,398
Average realized silver price per ounce	**$**	**24.65**	$	22.24	**$**	**23.67**	$	23.29

		2023		2022		**2023**		2022
Gold revenue	**$**	**-**	$	1,648	**$**	**415**	$	2,931
Gold sold (oz)		**-**		900		**215**		1,571
Average realized gold price per ounce	**$**	**-**	$	1,831	**$**	**1,930**	$	1,866

16. 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.

17. 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.

As at June 30, 2023, the Company had 157,446,333 common shares, 1,165,456 options to purchase common shares of the Company and 2,361,917 restricted stock units issued and outstanding. (December 31, 2022 – 158,032,756 common shares, 2,313,913 options and 2,112,913 restricted stock units issued and outstanding.)

As of the date of this filing, the Company had 156,946,833 common shares, 1,165,455 options to purchase common shares of the Company and 2,361,917 restricted stock units issued and outstanding.

18. 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.

In January 2023, the Company engaged a third-party service provider to assist in the review, evaluation and testing of the Company's controls and procedures in a timely manner over the course of fiscal year

2023. Where necessary, the service provider to also engaged to assist with design and document a new and improved system of internal controls.

19. 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 audited consolidated financial statements of the Company for the year ended December 31, 2022. The Company also identified a number of other risks and uncertainties in its Management Discussion and Analysis dated March 17, 2023, including, but not limited to: (i) commodity prices; (ii) supply and quality of purchase ore; (iii) cost estimates; (iv) exploration, development and operating risks; (v) health, safety and environmental risks and hazards; (vi) nature and climatic conditions; (vii) uncertainty in the estimation of mineral reserves and mineral resources, (viii) uncertainty relating to mineral resources, (ix) uncertainty relating to future production estimates, (x) foreign operations and political risks, (xi) increases in production costs, (xii) compliance costs, and (xii) community relations.

20. 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 expected silver equivalent production for full year 2023 and expectation of AISC per silver equivalent ounce; the Company's exploration and development plans, including advancements to the FDF/SDF project; the Company's assessment of acquisition opportunities; the Company's expectation for higher production and in the second half of 2023; the timing of mineral delivery in connection with the mineral purchase agreement with Bedrock S.R.L; the timing of geological and/or technical reports and studies; the Company's plans for growth through exploration activities, acquisitions or otherwise; expectations regarding future maintenance and capital expenditures, working capital requirements and the availability of financing. 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; and other factors contained in the section entitled “Risk Factors” in this MD&A and the Company's Management Discussion and Analysis dated March 17, 2023.

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.

21. QUALIFIED PERSONS

All 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. and he has visited various Company sites – most recently in March-April 2023.