



**Andean Precious Metals Corp.
Golden Queen Mining Acquisition
Conference Call / Webcast Transcript**

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Speakers: **Alberto Morales**
Executive Chairman and Chief Executive Officer

Juan Carlos Sandoval
Chief Financial Officer

Segun Odunuga
Executive Vice President, Finance

Trish Moran
Vice President, Investor Relations

Operator

Good morning, everyone. Welcome to the Andean Precious Metals webcast to discuss the Company's acquisition of Golden Queen Mining.

As a reminder, all participants are in listen-only mode and this conference call is being recorded.

After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, then zero.

Your host for today is Trish Moran, Andean's Vice President of Investor Relations. Ms. Moran, please go ahead.

Trish Moran

Thank you, and good morning, everyone. Thank you for joining us to discuss today's announcement.

Before we get started, I'd like to ask everyone to view Slides 2 through 4 of our acquisition presentation, which is available on our website, andeanpm.com; to view our cautionary language regarding forward-looking statements and other important disclaimers. In particular, I would like to point out the language around historical mineral reserves and resources on Slide 5. It highlights the fact that Golden Queen's reserves and resources must be referred to by Andean as historical, because the reserve and resource estimate predates the acquisition. Our press release is also available on our website, as well as on SEDAR+.

With us on today's webcast and conference call is Alberto Morales, Andean's Executive Chairman and CEO, Juan Carlos Sandoval, our CFO, and Segun Odunuga, our EVP, Finance. Following Management's formal remarks, we will then open the call to questions.

And now, over to Alberto.

Alberto Morales

Thank you, Trish, and welcome, everyone.

Since we reassumed management in November of last year, we expressed to the market our priority to focus on transformational growth through acquisitions. Today, we are pleased to address with you this morning's announcement regarding the closing of our first M&A transaction, the acquisition of Golden Queen.

It is an excellent fit for us.

Located in Kern County, California, Golden Queen is a well-established, open pit, heap leach facility, and has been in operation since 2016. We are very excited about this acquisition and believe it will provide a solid platform for further growth in the United States.

For the shareholders of Andean, this is an outstanding opportunity to add another high-quality producing asset to Andean's portfolio and to create a multi-jurisdictional precious metals producer with diversified production, exposure to both gold and silver, and cash flow generation.

Out of the gate, Golden Queen gives us a turnkey producing asset with historic mineral reserves of 670,000 ounces of gold and 9.4 million ounces of silver, with plenty of opportunities for upside: firstly, by growing the reserves and resource base; secondly, by increasing production, lowering costs, and improving cash flow through mine optimization, block model improvement, and ore process control and production efficiencies; and third, through exploration drilling around the pits within Golden Queen's properties.

We believe the Golden Queen acquisition is a game changer for Andean and sets us on track to reach our mid-tier producer ambition.

Turning to Slide 8.

Through the Golden Queen acquisition, we have secured Soledad Mountain, a producing mine in the United States.

Kern County is supportive of Golden Queen, which is one of the largest employers in the area. In fact, the county has agreed to allow Golden Queen to defer certain mine reclamation until 2061.

Since its first gold production in 2016, Soledad Mountain has provided its owners with consistent, predictable production and operating performance, producing more than 340,000 ounces of gold and approximately 3.5 million ounces of silver.

The mine comes with a strong management team that recently oversaw more than \$23 million in mine infrastructure upgrades. The upgrades are expected to reduce future capex needs and help sustainably lower costs and improve production, operating efficiency, and cash flow. Through extensive due diligence and strategic reviews undertaken by Andean and independent advisors, we see potential for further performance gains in the near term. In short, we will be a larger, stronger and more diversified precious metals producer.

Turning now to Slide 9, let's go through the details of the transaction.

We were able to acquire Golden Queen on attractive terms that has allowed us to maintain a strong balance sheet with adequate liquidity. This will allow us to fund future growth.

Under the purchase agreement, Andean paid \$5 million in cash plus some net working capital adjustment at closing and will pay \$10 million in cash or shares at our discretion in two tranches of 12 months and 22 months from closing.

In addition to these payments and as part of the purchase agreement, Golden Queen has retained a \$50 million Main Street Priority loan with CommerceWest Bank of California. Commensurate with closing, Andean caused Golden Queen to make the first principal payment owed to the bank totalling \$7.5 million plus \$200,000 in interest. The remaining \$43.9 million in outstanding principal plus accrued interest will be paid back over the next two years. Under the deal structure and payment terms, Andean adds a producing mine with upside potential and maintains liquid assets in the range of \$81 million for further growth.

Turning to Slide 10.

The Golden Queen transaction advances Andean towards our goal of becoming a multi-jurisdictional, mid-tier precious metal producer in the Americas.

We now have foundations to grow from in both North and South America, as well as a diversified asset base of gold and silver production.

We also have operations, development, and exploration expertise in the United States and in South America, enabling us to identify and act on future opportunities in these exceptional precious metal jurisdictions.

With most of our liquid assets still available, years of available reserves, and two producing assets driving cash flow, we are in a much stronger position.

And now over to Juan Carlos.

Juan Carlos Sandoval

Thank you, Alberto.

Turning to Slide 12.

Golden Queen has operated the Soledad Mountain gold and silver mine in Kern County, California for about eight years.

It is a conventional, open pit, heap leach operation that has been a model of consistency over the years. The mine is conveniently located between Los Angeles and Las Vegas and is easily reached via paved and well-traveled roads.

Soledad Mountain is connected to the electrical grid, while wells and a water treatment plant are on site. The mine has around 250 workers and is close to the town of Mojave.

Soledad Mountain is exactly what we were looking for in terms of a turnkey mining opportunity with upside potential. It is well-positioned to benefit from a new mine plan and an improved production and cost profile.

Turning to Slide 13.

The Soledad Mountain mine utilizes conventional open pit mining methods, cyanide heap leach and Merrill-Crowe processes to recover gold and silver from crushed, agglomerated ore. The mine processes approximately four million short tons of ore per year.

Soledad Mountain's equipment and facilities are generally in good condition, and the mine has recently received approximately \$23 million in infrastructure upgrades, including a stage 3 heap leach pad and mine and processing equipment, which is expected to positively impact mine in cost performance.

Because the mine is relatively new and improvements were made as recently as 2021/2022, capital expenditures are expected to be minimal in coming years.

Turning to Slide 14.

It is important to note that Golden Queen's mineral resource and reserve pace included here on this slide does not tell the entire story, as they must be considered historical at this time. However, Andean has retained independent consultants to evaluate and provide an updated NI 43-101 compliant mineral resource and reserve estimate for Soledad Mountain within 45 days.

As we have indicated, we also plan to announce an updated mineral reserve and resource estimate for our San Bartolomé mine in Bolivia. For the first time, that estimate will include fines disposal facility tailing and contracted high-grade oxide material from other mines. As such, we expect this slide to look somewhat different the next time we show it.

Turning to Slide 15.

The acquisition of Golden Queen strengthens our capability as a diversified precious metals producer, significantly increasing our anticipated silver equivalent production in the coming years.

San Bartolomé has been operating continuously since 2008, producing an average of 5 million ounces of silver equivalent per year, while Golden Queen's average annual silver equivalent production for the last four years has been nearly 4.7 million ounces or around 50,000 gold equivalent ounces.

Based on historical 2P reserve estimates of Soledad Mountain, Andean is targeting to maintain steady state annual production until at least 2028.

Turning to Slide 16.

Soledad Mountain's production and performance has been consistent in recent years.

However, our due diligence and with the independent technical advisor reports, indicate strong potential to create value and drive cash flow through mine optimization and efficiencies with minimal cash investment.

We have seen opportunities that will bring synergies and cost savings through the reduction of overhaul and maintenance costs through new trucks being purchased, renegotiation of certain contracts, consolidation of our insurance programs that will save us between 10% to 20% in premiums, and other general and administration costs.

These measures will piggyback on \$23 million in recent infrastructure investments and current cost improvements to drive meaningful change in the mine's performance. We look forward to undertaking this work and recognizing the benefits.

Turning to Slide 17.

We are very excited about the potential to expand the Soledad Mountain project through exploration and adding ounces to our mineral resources and reserves.

We have identified potential opportunities through near mine and delineation exploration to highlight productive zones and extend the mine life. The epithermal mineral system at Soledad Mountain consists of a cluster of northwest trending veins and vein breccias, with proven gold mineralization from near surface to depth. It is deemed favourable for new discoveries.

Of immediate interest is the potential to upgrade the project's inferred mineral resources.

In addition, the potential for discovery of new mineralized structure to the east and west of the main deposit will be examined and prioritized by Andean. Stay tuned for that.

And now to Slide 18.

We have talked about the attractive terms of the Golden Queen acquisition.

To further underscore that point, the acquisition was completed at well below half of the Junior Gold Producers current median multiples for both production and 2P reserves.

This indicates room for value creation based on prospective profitability, jurisdictional and commodity diversification, and no immediate shareholder dilution, if at all, among other factors.

Turning to Slide 19.

We see an obvious disparity in our value relative to our peer group.

This slide highlights how we can move up relative to the peer group post acquisition with a potential re-rate.

Factors that support a re-rate include: alleviation of the single asset risk, increased production, increased mineral reserve and resource pace, diversification of geopolitical risk, and the significant increase of gold exposure, all of this at a very attractive purchase price, while maintaining, at all times, a strong balance sheet with ample liquidity.

Turning to Slide 20.

Today, post acquisition close and after paying only \$5 million in initial consideration and some net working capital adjustments, our liquid asset position remains strong. The number of outstanding shares remain the same. There was no short-term equity dilution.

Golden Queen will maintain a very manageable level of debt, \$43.9 million to be repaid over the next two years. This means that the majority of our \$81 million in liquid assets remains available to us, while we regularly pay down debt from our ongoing cash flow. This sets us up to undertake further accretive M&A activity in the near term, a win-win for our shareholders.

Now, turning to Slide 21.

Based on audited financial statements of Golden Queen, as at December 31, 2022, the Golden Queen acquisition has added \$133.4 million in net assets to Andean's pro forma balance sheet. This significant increase to our net assets provides further support for our re-rate, which we expect will ultimately benefit Andean when required to make the deferred purchase price payments.

With that, back over to Alberto.

Alberto Morales

Thank you, Juan Carlos.

Turning now to Slide 23.

Golden Queen ticks all the boxes that we were looking for. We preserve our strong cash balance, ensuring that we are in a position to conduct further growth through M&A and invest in our current projects. We significantly increase our gold and silver equivalent production in the U.S. and Bolivia, with near-term growth catalysts on the horizon for both projects. We are now a multi-asset producer with a growth platform located in the United States in an unparalleled tier one jurisdiction. We now believe to offer a compelling rationale for a share re-rate based on our diversified and improved production profile, reduced jurisdictional risk, and increased asset value.

Turning to Slide 24.

Recently, we shared our bold vision to become a mid-tier precious metal producer in multinational jurisdictions. The Golden Queen acquisition is an important milestone in that direction, and we continue to build from strength. We have proven teams on both sides of the equator that have identified and acted on opportunities to create value for shareholders. We now have producing assets with significant upside in two jurisdictions well known for centuries of leadership in precious metals production. We have strong expectations of operational enhancements and extended production in both mines. Under current market conditions, Golden Queen clearly stood out as the best-suited opportunity for Andean's initial expansion.

In closing, we are incredibly excited about the Golden Queen acquisition and we are thrilled to introduce it to our shareholders today.

We have now given you a lot of information to digest in a short period of time, so let's open up the line up for questions.

Operator

Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You'll hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. If you wish to withdraw your question, please press star, then two.

Our first question is from Jon Eglio from Desjardins. Please go ahead.

QUESTION #1

Jonathan Eglio: Hi. Good morning, guys. Couple of questions for me. You mentioned optimization efforts on the cost side. Can you give us a sense of what Soledad's cost base looks like right now, and broadly, I guess, their cost per ounce to give us a platform to judge improvements from?

Segun Odunuga: Thank you very much, Jon. This is Segun Odunuga speaking. Jon, as we mentioned, we've been seeing some improvement down at the plant in the last six months, which has all-in sustaining costs averaging between \$1,450 to \$1,600 per ounce and we've seen some improvement going forward also too. With respect to the optimization, we are looking at improvements on the block model, and on the ore control improvement process and our understanding about the geology of the mine. All this we believe will give us more efficiency in the materials that we put on the heap leach pad and turn out to be very, very profitable to us in the long run.

Jonathan Eglio: Okay, thanks, and just a follow-up to that, you mentioned ore control improvement. Is the current mine, I guess, struggling to meet planned grade from dilution, or I guess is there any problem with ore control going on right now that is inhibiting the mine from reaching planned grades?

Segun Odunuga: The last eight months has been challenging technically for the mine, and from what has been identified by our technical advisor that we hired during due diligence, there are opportunities for better ore control, better dilution, and mine design. So that is what we'll be focusing on in the near term that we based on our understanding of where all materials are, which will also bring some improvement to the grade.

Jonathan Eglio: Okay, thanks, and do you guys view the asset as kind of a 50,000 ounce per year mine moving forward, or is there an annual production target that you want to get to?

Segun Odunuga: Yes, okay, right now, we are seeing some improvement with respect to production. Going forward, we believe that our steady state will be between 50,000 and 55,000 ounces for this business.

Jonathan Eglio: Okay.

Operator: Mr. Eglio, are you finished?

Jonathan Eglio: Yes. Yes, sorry. Thanks.

Operator: Okay. Thank you.

Segun Odunuga: Thank you very much, Jon.

Operator: Once again . . . if you have a question, please press star, then one. [PAUSE] This concludes the question-and-answer session. I'd like to turn the conference back over to Alberto Morales for closing remarks.

Alberto Morales

Well, thank you, everyone.

Before we go, I'd like to welcome the Golden Queen / Soledad Mountain mining team to the Andean family. They developed and brought Soledad Mountain into production and helped set it up for long-term success. We appreciate the expertise and passion for mining that they bring to work every day. We look forward to working with our new team members to advance and enhance the operations for the benefit of all.

Next, I would like to thank the entire Andean leadership team. Over the past few months, they have worked hard and efficiently to land a foundational acquisition that sets us up for further success. We analyzed many different acquisition opportunities and believe we have selected the best one, at least for now, and we believe there will be more to come.

Thanks to everyone for joining us on today's call. As always, if you have any further questions, please do not hesitate to reach out to us by email at ir@andeanpm.com. Thank you very much and have a great day.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.