

ANNOUNCEMENT OF PROPOSED TERMS IN PREFERENTIAL RIGHTS ISSUE OF SHARES, NON-PREFERENTIAL ISSUE OF SHARES AND ISSUE OF WARRANTS

- In the preferential rights issue, five (5) present shares gives right to subscribe for three (3) new shares for a price of SEK 0.52 per share. Up to 155,689,160 shares will be issued. If all of the shares issued are subscribed for, the company will receive approx. SEK 81.0 million in proceeds (before transaction related costs).
- In the non-preferential rights issue to primarily Finnish investors, the price per share will be SEK 0.52. Up to 155,689,160 shares will be issued. If all of the shares issued are subscribed for, the company will receive approx. SEK 81.0 million in proceeds (before transaction related costs).
- Strike price for the warrants will be set to SEK 0.70. As each party that subscribes for 100 shares in the preferential rights issue or non-preferential rights issue will be allotted one warrant, up to 3,113,783 warrants will be issued, each giving right to subscribe for twenty five (25) shares at a subscription price of SEK 0.70 per share.

After the reverse-split, expected to take place in July, pursuant to the re-calculation of the terms of the warrants, each warrant will entitle to subscribe for one (1) share for a subscription price of SEK 17.5. If all of the warrants are exercised, the company will receive approx. SEK 54.5 million in proceeds (before transaction related costs).

BACKGROUND

On 20 April 2012, Sotkamo Silver AB announced a proposal for a preferential rights issue, a non-preferential rights issue to primarily Finnish investors, and an issue of warrants to the parties subscribing in the mentioned share issues. Also, a reverse split, meaning that 25 shares are combined to one (1) share, was announced. Further, corresponding adjustments to the articles of association were proposed in order to make the rights issues and the reverse-split possible.

The mentioned proposals require the approval by the extraordinary shareholders' meeting on 22 May 2012.

Subscription for new shares (in both issues mentioned above) shall take place during the time 1 June 2012 – 15 June 2012. The record date for the preferential rights issue is 29 May 2012.

MOTIVE

The reason for the proposed issues, raising a total of about SEK 162 million (and in addition about SEK 54,5 million through the warrant) is to secure about half the funding requirement for Sotkamo Silvers mine in Taivaljärvi. The remaining part is planned to be funded by a loan. If construction can start this summer, the mine will be in production early 2014.

The independent consulting company KPMG Oy Ab was commissioned by Sotkamo Silver Oy to make a financial cash-flow forecast based on the published Bankable Feasibility Study and technical the mining-review from Outotec (Finland) Oy.

At an average silver-price of 33.9 USD/oz from 2013 to 2022 (consensus pricing), the IRR is estimated to 72 % and NPV € 73 million (@ 8 %). Initial capital-cost is estimated to € 30.6 million, inclusive environmental investments of € 3.9 million (12 %). Total required funding including working capital is estimated to be approximately € 40 million. Pay-back period from production-start is estimated to less than 2 years.

At a silver-price of \$ 28/oz (conservative pricing), the IRR is estimated to 43 % IRR and NPV € 41 million (@ 8 %). Pay-back from start of production is 2 years.

The complete KPMG report is available at the company's webpage www.silver.fi

Stockholm on 11 May 2012

SOTKAMO SILVER AB (publ)
The Board of Directors

The information provided in this press release is such that the company is required to disclose pursuant to the Swedish Securities Markets Act and/or the Financial Instruments Trading Act. This press release contains forward-looking statements, forecasts and estimates. Indications of, and guidance on future earnings and financial position and performance are also forward-looking statements. The statements and estimations are subject to risk factors associated with the mining industry. These forward-looking statements, opinions and estimates are not guarantees of future performance.

About Sotkamo Silver AB:

Sotkamo Silver AB's business concept is to exploit mineral deposits in the Nordic countries with regard to human society and environment. Sotkamo Silver owns, through its subsidiary mineral deposits, which contains silver and gold in Finland. The Company's main development project is the Taivaljärvi Silver Mine.

Sotkamo Silver applies SveMin's & FinnMin's respective rules of reporting for public mining & exploration companies. Sotkamo Silver has chosen to report mineral resources and ore reserves according to the internationally accepted JORC or NI 43-101-code.

The company applies International Financial Reporting Standards (IFRS) as approved by the European Union. The shares are traded at the Burgundy market place and NGM Equity in Stockholm.

The ticker symbol is SOSI. ISIN-code for Sotkamo Silver shares is SE0001057910.

Read more about Sotkamo Silver on www.sotkamosilver.com or www.silver.fi

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