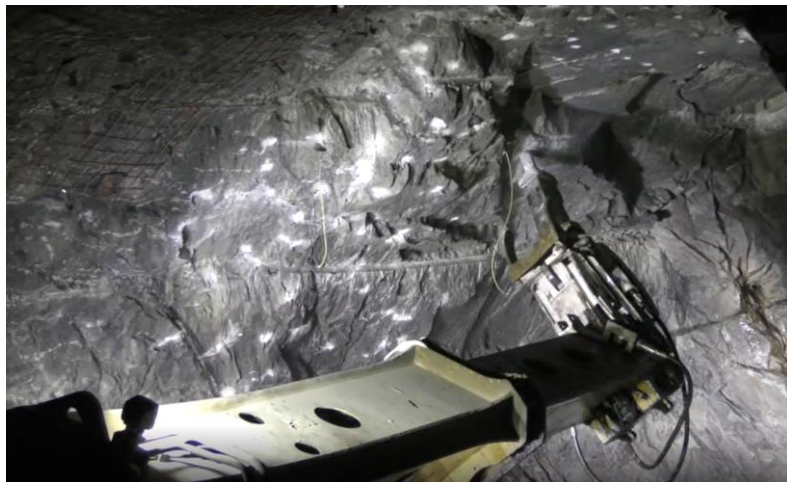


YEAR END REPORT 2019



HIGHLIGHTS OF THE FOURTH QUARTER 2019

- Net sales were 86 MSEK (0)
- EBITDA was 5 MSEK (-10)
- EBIT -32 MSEK (-34)
- Cash and cash equivalents were 30 MSEK (123)
- Earnings per share were -0.38 SEK (-0.32)
- An impairment of -27 MSEK was done on the exploration rights in Norway and Sweden
- The production was about 418 000 ounces silver, 1 022 ounces gold, 337 tonnes lead, and 610 tonnes zinc in concentrates
- Milled tonnes were approx. 125 000 and average silver head grade 119 g/tonne
- Safety measurement LTIFR was 13

FULL YEAR 2019

- Net sales were 197 MSEK (0)
- EBITDA was 8 MSEK (-32)
- EBIT -75 MSEK (-54)
- Earnings per share were -0.75 SEK (-0.49)
- Investments were 185 MSEK (299)
- The production was about 1 000 000 ounces silver, 2 697 ounces gold, 932 tonnes lead and 1 915 tonnes zinc in concentrates
- Milled tonnes were approx. 343 000 and average silver head grade 107 g/tonne
- No dividend is proposed by the Board

Comparative figures refer to the corresponding period of the previous year.

CEO PAUL JOHANSSON

Sotkamo Silver has been an exploration company for many years, but as an operational mining company, we are at the beginning of our journey. Like expected, metal grades and mineral distribution in the ore zone vary greatly. This impacts the production and financial result of the company. Underground stope mining has succeeded well and metal recoveries into concentrates have been mostly on good level in spite of the grade fluctuation and ongoing optimisation of the process.

In the fourth quarter, the pyrite recovery line was introduced to comply with the environmental permit requirement. The pyrite flotation line worked mainly as expected but caused side effects due to reorganising of process flow and temporarily lowered silver recovery.

Despite of challenges, we produced one million ounces of silver that was our adjusted target for 2019. What makes me confident in the Company is the energy and the spirit how our employees manage unexpected challenges. Our personnel are eager to learn how to excel in the handling of the orebody, the crusher, the concentrating plant, and the general management of the Silver Mine, all with the safety in focus.

BUSINESS

Sotkamo Silver AB owns, directly and through its subsidiary Sotkamo Silver Oy, mineral deposits containing silver, gold, zinc, and lead. The Company's main project is the Silver Mine in Sotkamo where the production ramp-up started during the first quarter of 2019 and was finalized by the end of August.

Key figures, group	Q4 2019	Q4 2018	FY 2019	FY 2018
Sales MSEK	86	0	197	0
EBITDA MSEK	5	-10	8	-32
EBIT MSEK	-32	-34	-75	-54
Equity ratio (%)	31	51	31	51
Earnings per share SEK	-0.38	-0.32	-0.75	-0.49
Cash liquidity (%)	35	230	35	230
Personnel at end of period	47	14	47	14
Milled tonnes approx.	125 000	0	343 000	0
Average Silver grade g/tonne	119	-	107	-

PRODUCTION

In 2019, 343 000 tonnes of ore were milled, of which 125 000 tonnes during the fourth quarter.

During the fourth quarter, we produced approx. 418 000 ounces silver, 1 022 ounces gold, 337 tonnes lead, and 610 tonnes zinc. Since the start of production, we produced 2019 about 1 000 000 ounces silver, 2 697 ounces gold, 932 tonnes lead, and 1 915 tonnes zinc in concentrates.

FINANCIAL POSITION

- The group's cash and cash equivalents were 30 MSEK (123)
- The group also had an undrawn overdraft facility of 10.4 MSEK
- The group equity ratio was 31% (51)
- The group equity was 219 MSEK (303), which corresponds to 1.62 SEK (2.32) a share

The Silver Mine project was delayed in the beginning of 2019, and the production and sales revenue start delay caused a negative impact on the cash situation of 2019. The high variance in the head grades and mining costs impacted negatively the Company's cash flows.

IFRS 16 adoption and Asset Retirement Obligation provision (ARO) impacted negatively the equity ratio by 3%.

During 2019 the investments amounted to SEK 185 million which covered the mine, concentrating plant, water treatment plant, crushing facilities, and IT.

The company has exploration rights in Mo i Rana in Norway and tungsten deposits in Sweden which at the beginning of the year were entered in the balance sheet at 27 MSEK. The exploration rights in Norway expire in June 2020. During the quarter, a review was made of the exploration license areas that belong to the assets, area by area and when the Company considers that some areas are no longer worthy of exploration on or because of due to lack of time cannot be developed, the value of these has been impaired in its entirety, total MSEK 27.

SAFETY AND ENVIRONMENT

The lost time injury frequency rate (LTIFR) meaning the number of sick days due to accidents per a million working hours was 13 at the end of December, including all contractors. In mid-August, a new safety concept was implemented. The company's long-term goal for LTIFR is zero.

The management informed the Kainuu Centre for Economic Development, Transport and the Environment (ELY Centre) that the 500 000-tonne limit of mining in 2019 was exceeded. The authority was informed beforehand, as earlier announced. The Silver Mine has applied for an updated permit that would allow for increased mining tonnage and emission levels as compared to the current permit.

PERSONNEL

Sotkamo Silver had 47 own employees at the end of December 2019 and 65 contracted employees working in the mine and laboratory.

Sotkamo Silver changed its organization due to the retirement of the long-time CEO Timo Lindborg with the following appointments from December 17, 2019 onwards:

- CEO is Paul Johnsson, former CFO.
- Deputy group CEO is Erkki Kuronen, who also continues as Managing Director of Sotkamo Silver Oy.
- CFO is Mikko Sopenan, former Vice President of Finance at Sotkamo Silver Oy.

EVENTS AFTER THE REPORTING PERIOD

No significant events after the reporting period.

SHARES AND SHARE TRADINGS

Sotkamo Silver AB's share capital on December 31, 2019 was SEK 185 176 166 and the number of shares 134 983 299.

The Sotkamo Silver shares are traded on NGM Equity Stockholm and on Nasdaq Helsinki. The Company ticker code is SOSI at NGM Equity and SOSI1 at Nasdaq Helsinki. The shares' ISIN-number is SE0001057910. The shares are also traded on Börse Berlin, Open Market, where the Company Code number is A0MMF4 and ISIN-number is the same as on NGM Equity Stockholm; SE0001057910.

The number of shares traded on NGM Equity and Nasdaq Helsinki during 2019 was 55 787 524 (56 111 036).

Share information	2019-12-31	2018-12-31
Share price SEK	4.04	3.90
Highest share price SEK, during the period	5.00	5.00
Lowest share price SEK, during the period	3.31	3.40
Quota value SEK	1.37	1.37
Market Cap. MSEK	545	510
Number of shares	134 983 299	130 783 299
Share capital SEK	185 176 166	179 414 417

RISK FACTORS

Financial and operational risks have an impact on the Company's operations. The Company's operations must be evaluated against the background of the risks, complications, and additional costs that mining and exploration companies are exposed to. The company can control and counteract these risks to varying degrees.

Since the production started during the second quarter of 2019, the risk factors have changed, and in addition to the risks described in the annual report of 2018, p. 24–27.

Risk	Description	Handling
Credit risk	The risk of not getting paid for outstanding invoices.	The company has customers with good credit rating, track record and short payment terms.
Liquidity risk	The risk of not having cash to pay the account payables or wages.	The company closely follows the cash-flow items and cash-flow projections.
Risk of shutdowns	The risk of unplanned production shutdowns.	The company has an interruption insurance and also monitors the equipment closely.
Risk of competence	The company is dependent on qualified personnel in various positions. The ability to retain current staff as well as the opportunity to recruit new employees is crucial to the Company's future development.	The company is constantly working to be an attractive employer to retain and recruit qualified personnel. The company has good cooperation with recruitment and hiring companies.
Risk of losing the social license	Social license and acceptance of the business and mining by all stakeholders is crucial for successful operation. Undesired environmental impacts, conflicts with the local stakeholder groups, or failure in maintaining good record in health and safety can impact the acceptance by the stakeholder groups.	Sustainable and responsible attitude to the environmental issues and impacts as well as transparent and timely reporting are the key factors to maintain the social license and acceptance by the various stakeholders.

ANNUAL GENERAL MEETING

Sotkamo Silver AB's AGM is planned to be held on April 2nd, 2020. The Board will convene the meeting by a separate invitation.

No dividend is proposed by the Board.

FINANCIAL CALENDER

- Annual report on March 12, 2020
- Q1 on May 29, 2020
- Q2 on August 5, 2020
- Q3 on October 28, 2020
- Q4 and year-end report 2020 on February 17, 2021

FINANCIAL REPORTS

The reports are available on the Company webpage:

http://www.silver.fi/sivu/en/finansiella_rapporter/

The official Stock Exchange Releases are given in Swedish and there may be differences in the translated versions.

The Board and the Group CEO ensures that the report provides a true and fair view of the parent Company's and the Group's operations, financial position, and results and describes the significant risks and uncertainties faced by the parent company and its subsidiaries included in the Group.

This report has not been subject to a financial review by the Company's auditors.

Stockholm, February 14, 2020

Sotkamo Silver AB's Board of directors and CEO

CONSOLIDATED STATEMENT OF INCOME				
	2019	2018	2019	2018
<i>Amount in kSEK</i>	Q4	Q4	FY	FY
Net sales	85 785	0	197 141	0
Change of finished goods	-1 352	0	1 169	0
Other income	240	65	840	119
Supplies	-54 748	0	-122 018	0
Other expenses	-14 621	-8 494	-45 284	-23 119
Employee expenses	-9 953	-1 794	-23 961	-9 001
EBITDA	5 350	-10 223	7 888	-32 001
Depreciation and amortization	-37 159	-24 198	-82 904	-21 934
EBIT	-31 809	-34 421	-75 016	-53 935
Financial income	-11 016	-650	4 124	9 206
Financial expenses	-7 913	-4 875	-30 170	-18 251
Financial net	-18 929	-5 525	-26 046	-9 045
Result after financial items	-50 738	-39 946	-101 062	-62 980
Taxes	0	0	0	0
RESULT FOR THE PERIOD	-50 738	-39 946	-101 062	-62 980
OTHER COMPREHENSIVE INCOME				
Result that may be reclassified to current period result:				
Translation differences	9 041	96	3 237	634
Total comprehensive income	-41 697	-39 850	-97 825	-62 346
Attributable to:				
The parent company shareholders	-41 697	-39 850	-97 825	-62 346
TOTAL	-41 697	-39 850	-97 825	-62 346
Profit per share, weighted average, SEK	-0,38	-0,32	-0,75	-0,49

CONSOLIDATED BALANCE SHEET		
<i>Amount in kSEK</i>	2019-12-31	2018-12-31
Assets		
Fixed assets		
Intangible fixed assets	124	27 247
Tangible fixed assets	627 090	405 870
Financial fixed assets	20 020	14 371
Deferred tax asset	341	341
Total fixed assets	647 573	447 828
Current assets		
Inventories	5 883	0
Accounts receivable	14 707	0
Other assets	10 494	26 813
Cash and cash equivalents	29 645	122 697
Total current assets	60 730	149 510
Total assets	708 303	597 338
Equity and liabilities		
Share capital	185 176	179 414
Other contributed capital	200 044	192 688
Retained earnings	-65 527	-6 052
Result of the period	-101 062	-62 980
Total Equity	218 631	303 070
Provision	29 533	136
Long term liabilities	274 192	229 264
Short term liabilities	185 946	64 869
Total equity and liabilities	708 303	597 338

CONSOLIDATED STATEMENT OF CASH FLOW		
	2019-01-01	2018-01-01
<i>Amount in kSEK</i>	2019-12-31	2018-12-31
Operating activities		
Result for the period	-101 062	-62 980
Adjustments for items not effecting cash	88 370	20 956
Cash flow from operating activities before changes in working capital	-12 692	-42 024
Cash flow from changes in working capital		
Change in inventories	-5 883	0
Change in operating receivables	1 612	-17 056
Change in operating liabilities	58 696	56 644
Cash flow from operating activities	41 733	-2 436
Investing activities	-185 479	-299 437
Cash flow from financing activities	47 458	257 787
Change in cash and cash equivalents	-96 288	-44 086
Cash and cash equivalents in the beginning of the period	122 697	164 171
Translation differences in cash and cash equivalent	3 237	2 612
CASH AND CASH EQUIVALENTS AT END OF PERIOD	29 646	122 697

CONSOLIDATED CHANGE IN EQUITY					
<i>Amount in kSEK</i>	Share capital	Other contributed capital	Translation differences	Retained earnings	Total Equity
Opening Equity 2018-01-01	163 680	171 257	-366	-6 052	328 519
Current period result				-62 980	-62 980
Sum Currents period result	0	0	0	-62 980	-62 980
OTHER COMPREHENSIVE INCOME					
Translation difference			634		634
Sum Other comprehensive income	0	0	634	0	634
Transactions with shareholders					
Share issue	15 734	24 009			39 743
Issue costs		-2 847			-2 847
Sum transactions with shareholders	15 734	21 162	0	0	36 896
Closing Equity 2018-12-31	179 414	192 419	268	-69 032	303 070
CURRENT PERIOD RESULT					
Sum Current period result	0	0	0	-101 062	-101 062
OTHER COMPREHENSIVE INCOME					
Translation difference			3 237		3 237
Sum Other comprehensive income	0	0	3 237	0	3 237
Transactions with shareholders					
Share issue	5 761	9 359			15 120
Issue costs		-1 734			-1 734
Sum transactions with shareholders	5 761	7 625	0	0	13 386
Closing Equity 2019-12-31	185 175	200 044	3 505	-170 094	218 630

STATEMENT OF INCOME PARENT COMPANY				
<i>Amount in kSEK</i>	2019	2018	2019	2018
	Q4	Q4	FY	FY
Other income	13 315	65	17 553	119
Other external expenses	-4 007	-8 362	-12 387	-22 987
Employee expenses	-1 017	-1 794	-2 837	-9 001
Depreciation and amortization	-27 209	-24 198	-27 209	-24 330
Other expenses	0	-132	0	-132
Operating result	-18 918	-34 421	-24 879	-56 331
Financial income	-6 052	-650	29 551	9 206
Financial expenses	-831	-4 875	-6 235	-13 972
Financial net	-6 883	-5 525	23 316	-4 766
Result after financial items	-25 801	-39 946	-1 563	-61 097
Taxes	0	0	0	0
CURRENT PERIOD RESULT	-25 801	-39 946	-1 563	-61 097
BALANCE SHEET PARENT COMPANY				
<i>Amount in kSEK</i>	31.12.2019	31.12.2018		
Assets				
Fixed assets				
Intangible fixed assets	0	27 027		
Tangible fixed assets	0	6 883		
Shares in subsidiaries	174 913	174 913		
Financial fixed assets	402 293	312 279		
Total fixed assets	577 206	521 102		
Current assets				
Other assets	23 252	5 796		
Cash and cash equivalents	1 276	48 498		
Total current assets	24 528	54 295		
Total assets	601 735	575 397		
Equity and liabilities				
Equity	530 676	518 853		
Provision	0	136		
Long term liabilities	53 213	53 496		
Short term liabilities	17 845	2 912		
Total equity and liabilities	601 735	575 397		

EXCHANGE RATES

For the compilation of the company's accounts, exchange rates have been calculated using the following values:

	2019-12-31	2018-12-31
Balance sheet day rate SEK/EUR	10.4336	10.2753
Balance sheet day rate SEK/USD	9.3171	8.9710
Average exchange rate for the reporting period SEK/EUR	10.5892	10.2620

SALES PER GEOGRAPHIC AREA

Sales per geographic area, MSEK	2019	2018
Finland, Zinc concentrate	32	0
Sweden, Lead Silver concentrate	154	0

OTHER INFORMATION

Important estimates and assessments for accounting purposes

Estimates and assessments are continuously evaluated and based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from this will, by definition, rarely correspond to the actual result. The estimates and assumptions that entail a significant risk of significant adjustments in the carrying amounts of assets and liabilities during the next financial year are discussed below.

Accounting principles

The interim report has been prepared for the Group in accordance with IAS 34, Interim Financial Reporting, the Annual Accounts Act and the Securities Market Act. For the parent company the interim report has been prepared in accordance with the Annual Accounts Act and the Securities Market Act, which is in accordance with the provisions of RFR 2 Accounting for Legal Entities. The parent company's and the Group's accounting principles for the report are unchanged compared to the latest annual report, *except for the following*;

Depreciation of assets

Activated preparations, facilities, and equipment in mines are depreciated as the ore extraction from the underlying mines is utilized, i.e. with a production-dependent depreciation method ("unit-of-production method"). The depreciation rates are based on ore reserves and ore assets that are expected to be extracted from these. These estimates, in turn, are largely dependent on ore reserves and consequently on expected future metal prices among other things. Changed conditions may mean that the future depreciation rate will change.

As the Silver Mine project has been and still is under development, no amortization of fixed assets belonging to the project has been made in previous years. From the start of the production in the second quarter fixed assets are amortized over the economic life of the individual asset.

With the exploration rights the Company has, since it became a producing mining company, become stricter with the application of IFRS 6 Exploration for and Evaluation of Mineral Resources. The Company now only puts exploration rights and assets in the Balance sheet if it has a determined ore reserve or it contains mineral resources. This has led to an impairment of 27 MSEK referring to the exploration rights of Mo i Rana in Norway and the Tungsten exploration rights in Sweden.

Asset Retirement Obligation Reserve (ARO)

The company has made a provision for the restoration of the mining area. In the balance sheet this reserve is included as Provision and as Fixed assets, respectively. The asset is depreciated according to the same principle as the mining asset with production units ("unit-of-production method").

IFRS 16 Leasing

The effects on the Group's financial report for the adoption of IFRS 16 as of January 1, 2019, are explained below in accordance with the transitional rules in IFRS 16, the Group has applied the simplified transitional method and has therefore not recalculated the comparative figures. The reclassifications and adjustments that have arisen due to the new leasing rules are therefore reported in the opening balance as of January 1, 2019. The new accounting principles are described below.

In the transition to IFRS 16 the Group recognizes leasing liabilities attributable to leases previously classified as operating leases in accordance with the rules in IAS 17 Leases. These liabilities have been valued at the present value of future minimum lease payments. In the calculation the lessee's marginal loan interest rate was used as of 1 January 2019.

All rights of use are valued at the transition on January 1, 2019 at an amount corresponding to the lease debt adjusted for prepaid lease fees attributable to the agreement as of December 31, 2018. The following relief rules have been applied during the transition:

- the use of a uniform discount rate for a portfolio of similar leasing contracts;
- reporting of operating leases with a shorter lease period than a year from January 1, 2019 as a short-term lease;
- exclusion of initial direct costs in calculating the utility asset at the date of initial implementation

Adjustments reported in the Consolidated Income Statement and Consolidated Balance sheet

For leases previously classified as operating leases with the Group as lessee, a leasing liability is reported at the present value of future leasing payments, amounting to SEK 71 million as of January 1, 2019. The Group reports rights of use of SEK 71 million as of January 1, 2019.

In the balance sheet referred to as "Tangible fixed assets" 67 MSEK is Right of use assets. 0.7 MSEK is Prepaid leasing expenses as part of "Other receivables". 51 MSEK is part of the "Long term liabilities" and 23 MSEK as part of the "Short term liabilities"

In Consolidated income statement, the effects of IFRS leasing are: 23 MSEK lowered the cost of Supplies, 21 MSEK has been added to Depreciations, and 3.6 MSEK was added to Interest expenses.

Accounting principle IFRS 16

The Group leases various buildings, mining machinery, and enrichment and crushing equipment

The leasing agreements are reported as rights of use and a corresponding liability, the date on which the leased asset is available for use by the Group. Each lease payment is divided between the amortization of the debt and the financial cost. The financial cost should be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period. The right of use is amortized on a straight-line basis over the shorter of the asset's useful life and the duration of the lease.

Assets and liabilities arising from leasing agreements are initially reported at present value. Leasing liabilities include the present value of the following lease payments:

- fixed fees (including fees that are fixed in their substance), less incentive claims
- Guaranteed residual value that the lessee expects to pay to the lessor
- the exercise price of a call option, if it is reasonably certain that the lessee will exercise the option, and
- the penalty for terminating the lease, if the duration of the lease reflects the assumption that the lessee will use this opportunity.

Leasing payments are discounted with the implicit interest rate if that interest rate can be determined, otherwise the marginal loan rate.

Assets with rights of use are valued at cost and include the following:

- the amount of the lease liability originally valued at 71 MSEK
- lease fees paid on or before the commencement date, less any benefits received in connection with the signing of the lease,
- initial direct expenditure

Payments for short contracts and leases of lesser value are expensed on a straight-line basis in the income statement. Short contracts are agreements with a lease term of 12 months or less.

Options to extend or terminate agreements are included in the asset and liability as it is reasonably certain that they will be utilized. The terms are used to maximize the flexibility of handling the agreements.

Revenue recognition, IFRS 15

The Group's revenue primarily consists of sales of silver concentrates and by-products. Sales are recognized as revenue when control of the concentrate is transferred to the customer, which it is considered to have done when the concentrate has been transported and received by the customer. Where the agreements contain multiple performance

commitments, the transaction price is allocated to each separate performance commitment based on their standalone selling prices.

For revenue relating to the flotation concentrate, the transaction price is calculated on preliminary data on the amount of concentrate, metal content, metal price and less reimbursement for treatment costs and contaminant content. Final billing occurs when all input parameters (concentrate quantity, metal content and price, contaminant content, etc.) have been determined. Any changes in the amount of concentrate and metal content on final invoicing are reported as net sales.

Silver concentrates are usually sold within pricing arrangements, which means that the final price is determined by quoted market prices for a specified period after the actual sale date. Regarding these sales, the Group must estimate the transaction price to be received at the sale date considering relevant commodity market prices. Adjustments due to movements in quoted commodity prices are made up to the date of final pricing. This adjustment mechanism is based on the market price of the raw material, whereby the changes in value are not considered to constitute revenue from agreements with customers. The changes in fair value are reported in other operating income / expenses.

Revenue from activities outside ordinary activities is reported as other income.

Inventories

The Group's inventories consist mainly of concentrate and ore. Inventories are reported at the lower of cost and net realizable value. The acquisition value is determined using the first in, first out method (FIFO). The acquisition value for concentrate consists of ore from own mine, direct wages, other direct costs and attributable indirect manufacturing costs, including attributable depreciation based on normal production capacity. The net realizable value is the estimated selling price of metal content in accordance with applicable sales terms, less any applicable variable sales costs.

Fair value of financial instruments and trade receivables

For other financial instruments, the carrying amount is a reasonable estimate of fair value. The fair value of embedded derivatives is found in Level 2 of the fair value hierarchy.

At 31 December 2019, the fair value of accounts receivable amounts to SEK 15M (0) and is recognized in the item Trade Receivables in Current assets in the balance sheet. If there would have been any changes, the values would be reported in other operating income / expenses in the Consolidated statement of income. The fair value of accounts receivable is found in Level 2 of the fair value hierarchy.

DEFINITION OF KEY FIGURES

EBITDA, Earnings Before Interest, Taxes and Depreciations & Amortizations

EBIT, Earnings Before Interest and Taxes

Equity ratio (%), The equity in relation to total Assets

Earnings per share SEK, The Earnings divided with the number of shares

Cash liquidity (%), Short term assets minus inventories in relation to short term liabilities

LTIFR, Lost time injury frequency rate (LTIFR) meaning the number of sick days due to accidents per million working hours

Ounce, Troy ounce which is 31.1035 grams

A more comprehensive Key figure table is in the Annual report of 2018 p. 65–68