

SOTKAMO SILVER AB INTERIM REPORT

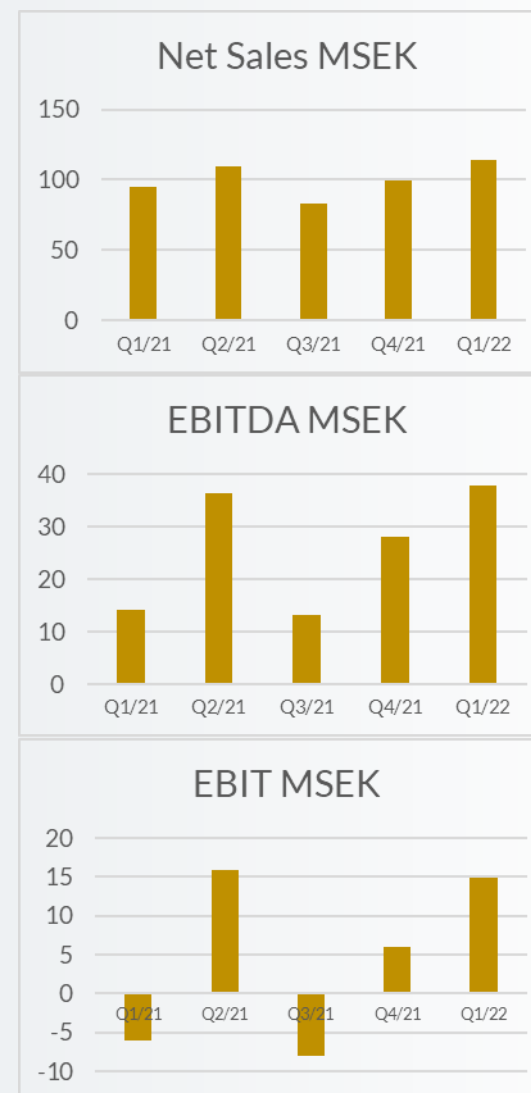
FIRST QUARTER 2022



HIGHLIGHTS OF THE FIRST QUARTER 2022

- Net sales was 114 MSEK compared to the previous year 95 MSEK. Major positive contributors were favourable development of zinc price and produced amount of gold and zinc
- EBITDA was 38 MSEK (14)
- EBIT was 15 MSEK (-6)
- Cash and cash equivalents were 44 MSEK (26)
- Investments were 13 MSEK (8)
- The production was about 336 000 (344 000) ounces of silver, 870 (707) ounces of gold, 465 (309) tonnes of lead, and 990 (664) tonnes of zinc in concentrates
- The Refinancing Project was successfully completed.
- P700 project has been advanced: decline has reached 400-level and underground drilling was started in February.

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



CEO WORD

Russia's invasion to Ukraine and subsequent brutal war have resulted in an enormous humanitarian crisis and our thoughts are with the Ukrainian people who are suffering the most. After two years of Covid-19, we have faced an incomprehensive evil in the middle of Europe and the future is more than uncertain. In the middle of these hard times, we have to continue our lives and keep the faith. By doing this, we show our strength and tribute to those who have to sacrifice themselves.

The refinancing project was successfully completed. The long maturity, achieved savings in the interest expenses and generally more favourable terms support our goals to improve operational efficiency and cost-effectiveness and to achieve the strategic targets. Simultaneously, we evaluate the options to advance the P700-project and ensure the long-term return of the investment and adapt in short- to medium-term to the unpredictability of the metal prices, costs of supplies, and energy.

I am very proud that we were able to incorporate Sustainability Criteria into our New Senior Loan. There is a monetary carrot potentially impacting the margin of the loan

once the criteria are met. However, more important is the message we are giving to our lenders, owners, and other stakeholders: Sotkamo Silver is committed to Sustainability. The criteria, reduction of nitrogen load on water, increase of the share of renewable electricity, and increasing of recycling, are such, that they guide and support us in our daily work.

Another milestone was our first Sustainability Report, which was released as a part of the Annual Report. The Board of Directors and the Management also had a half-day seminar on the topic in March. Our target is a culture where sustainability and responsibility are natural and an obvious part of our behaviour. I am confident that we are on the right track to achieving this.

The revenue of the quarter, 114 MSEK, was the second-best in our history. The profit and operative cash flow were over 10 MSEK and cash 44 MSEK at the end of the reporting period. This is a good achievement given the low silver production and increased energy costs.

Summer is approaching and I wish all readers a sunny and relaxing season. Take care of yourself, your closest ones and live.

"...The refinancing project was successfully completed. The long maturity, achieved savings in the interest expenses and generally more favourable terms support our goals to improve operational efficiency and cost-effectiveness and to achieve the strategic targets. ...

... I am very proud that we were able to incorporate Sustainability Criteria into our New Senior Loan..."



BUSINESS

The Company operates the silver mine in Sotkamo, Finland. The production was started in March 2019 and the mine produces silver, gold, zinc, and lead in concentrates which are sold to a smelter. In addition, the Company holds mining and exploration rights to mineral deposits nearby current operations in the Sotkamo region in Finland.

Net sales was 114 MSEK compared to the previous year 95 MSEK. Major positive contributors were favourable development of zinc price and produced amount of gold and zinc. Head grades of silver and other metals were impacted by the use of marginal ore. Milled ore tons were 174 000 tonnes, ca. 25 % higher than during the first quarter of 2021. Compared to the previous quarter (Q4/2021), we produced an equal volume of silver, and other metals, even though the ore volume was ca. 5 % less.

Other income of 6 MSEK (-2) included 5 MSEK (-2) estimated unrealized final sales price adjustment due to the price difference between provisional and final invoices for the period. Net sales included -1 MSEK

estimated final metal content adjustment due to metal content difference between provisional and final invoices for the period. The final sales price for silver and gold is based on the monthly average market price two months after the delivery, deducted by the customer's smelter charges.

Investments in the underground mine and environmental investments amounted to 13 MSEK (8) in Q1. Environmental investments included tailings pond dam raise amounting to 2 MSEK. P700 project's exploration continued in Q1 which costs were included in the investments of the period.

Key figures, group	Q1 2022	Q1 2021	FY 2021
Net sales MSEK	114	95	387
EBITDA MSEK	38	14	92
EBIT MSEK	15	-6	7
Equity ratio (%)	30	36	38
Cash liquidity (%)	107	85	27
Personnel at end of the period	49	51	49
Mill feed (kt)	174	139	624
Average silver grade g/tonne	71	91	79



PRODUCTION AND GUIDANCE

In the first quarter, we milled 174 000 (139 000) tonnes of ore, and produced about 336 000 (344 000) ounces silver, 870 (707) ounces gold, 465 (309) tonnes lead, and 990 (664) tonnes zinc in concentrates. The head grades of the mill feed were lower than in the reference period, but this was compensated by the higher mill feed tonnes.

During the winter we have been mining primarily between 260- and 200-levels in the underground mine and in the open pit. Open-pit mining must be halted for the summer. Our focus will be between 260- and 200-levels until the autumn.

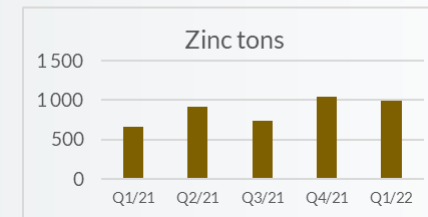
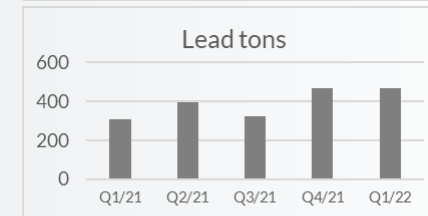
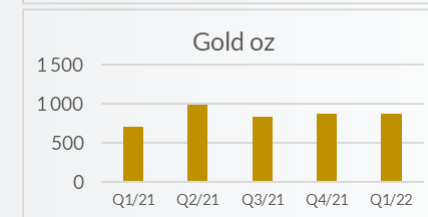
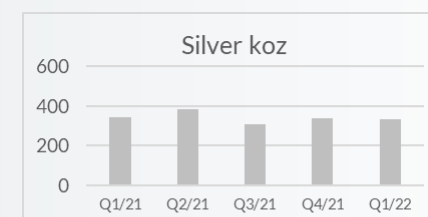
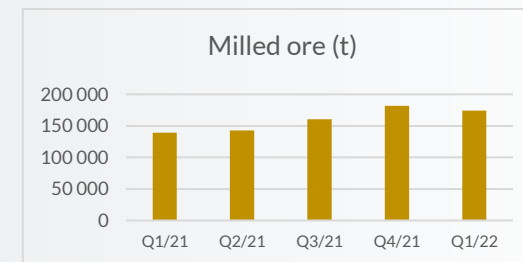
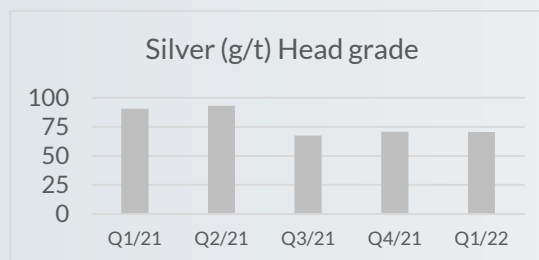
Based on the drilling results and updated resource model, we have decided to extend the development to the 420-level before commencing the stope mining.

The decline will reach the 420-level in early summer and the mining of the horizontal tunnels, drifts, continues to access and follow the ore zones. The stope mining must be started from the deepest and farthest part of the ore body once all the drifts have been prepared. Mining of the stopes

retreats horizontally and continues upwards after the backfilling of the open spaces.

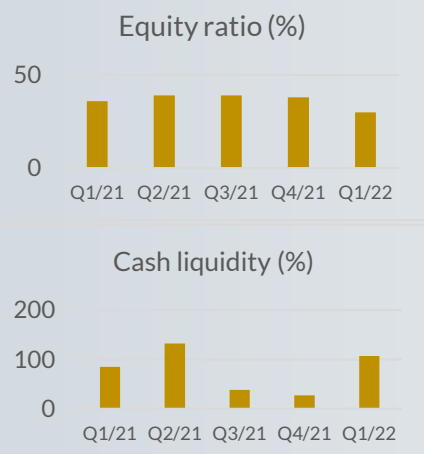
The adopted mine plan will delay the start of the stope mining of 420-level from previously indicated. However, the management believes that this gives the best return as the recovery of the ore can be optimised and the approach maximises the yield.

The annual production guidance for 2022 is ca. 1.5 million ounces of silver in 2022. We expect the silver production to remain in the current level until the autumn when the mining will commence from 420-level upwards. Our primary target is to maximize the revenue and operative cash flow. To achieve this, the Company adjusts the mix of metals in the ore feed which might have an impact on the produced silver ounces.



FINANCIAL POSITION

- The Group's cash and cash equivalents were 44 MSEK (26)
- The Group equity ratio was 30 % (36). At the end of the quarter both the old and new convertibles, the senior secured notes, and the new senior loan were all temporarily recognized in the balance sheet
- The Group equity was 260 MSEK (235) which corresponds to 1.30 SEK (1.24) a share non-diluted, and 1.23 SEK (1.24) diluted



The Company entered into a MEUR 14,6 senior loan agreement as a part of the refinancing of the Company's instruments.

The new senior loan carries an annual interest of EURIBOR 12 months (min. 0 %) and a margin of 6.5 %. The term of the new senior loan is 4 years, and the termination date will be 31 March 2026. The new senior loan shall be paid in annual instalments as follows: (i) MEUR 1,5 on 31 March 2023, (ii) MEUR 2,5 on 31 March 2024, (iii) MEUR 4,0 on 31 March 2025, and (iv) the outstanding amount on 31 March 2026. The new senior loan has an equity ratio covenant of 25 % and a net debt to EBITDA covenant of 4.00:1 (during the first two years) and 3.50:1 (thereafter).

The margin of the new senior loan is linked to sustainability criteria, which include yearly targets of reducing nitrogen load on water, increasing the relative share of renewable electrical energy usage, and recycling.

In addition, the Company completed the written procedure relating to the terms and conditions of its MEUR 13,2 senior secured fixed rate notes. The amendment of the terms and conditions permitted the possible early redemption from 31 March to the Final Maturity Date, 27 June 2022.

The Company implemented a directed issue of convertibles of an aggregate nominal amount of up to MEUR 6.4. The Company allocated convertibles in a total nominal amount of approx. MEUR 6.4, divided between 320 convertibles, each with a nominal value of EUR 20,006 (issued at 100 % of the nominal amount).

The new convertibles carry an annual interest of 8.0 %. The term of the new convertibles is 4.5 years with a maturity date on 30 September 2026, to the extent conversion has not taken place before such date. The conversion price is EUR 0.175 corresponding to SEK 1.826 per share.

Conversion may take place during the period from registration of the new convertible issue with the Swedish Companies Registration Office up to and including 15 September 2026.

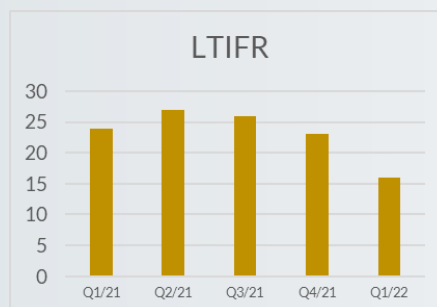
A full conversion of the new convertibles would entail a dilution of 15.4 %, based on the number of shares in the Company after conversion, and increase the Company's share capital by up to approx. SEK 50,185,383 to up to approx. SEK 325,056,771, and the total number of shares

in the Company by up to 36 582 400 to up to 236 948 611.

Current assets increased mainly due to the timing of the refinancing arrangement on both sides of the end of the quarter.

SAFETY AND ENVIRONMENT

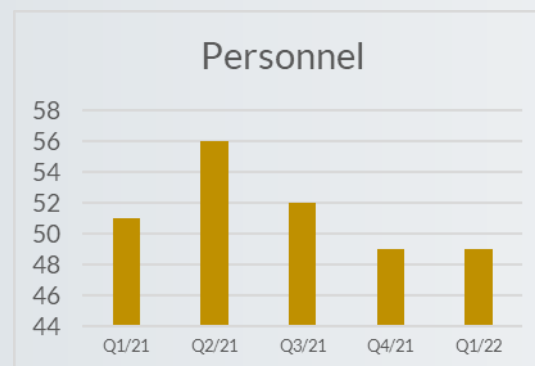
The lost time injury frequency rate (LTIFR) meaning the number of lost time injuries for million working hours was 16 (24) at the end of the period, including all contractors. LTIFR of 16 corresponds to four Lost Time Injuries (LTI) within 12 months period. The company has continued a safety development program and implemented new targets for 2022 to reinforce and encourage safety culture in its own organization and with its contractors. The Company's long-term goal for LTIFR is zero. At the quarter-end, Company's own personnel, and regular contractors at mine had worked 13 days without LTI. The previous period was 258 days without LTI.



PERSONNEL

The Company had 49 (51) own employees and 102 (104) contracted employees who worked in the mine and laboratory at the end of the period.

We have started leadership coaching and an initiative to monitor employee satisfaction, health, and ability to work. The goal is to promote the well-being of our employees.



EVENTS AFTER THE REPORTING PERIOD

The Company used its right for early redemption and redeem the senior secured fixed rate notes at an amount per note equal to 100 percent of the nominal amount, together with accrued but unpaid interest on 1 April 2022.

Allocated new convertibles were registered with the Swedish Companies Registration Office on April 4, 2022.

The proceeds from the convertible issue were used to finance the redemption of the Company's outstanding convertibles of series 2018/2022, including payment of accrued interest.

With the new senior loan of MEUR 14,6 and the new convertibles of MEUR 6,4, Company successfully completed the refinancing of its financial instruments maturing in 2022.



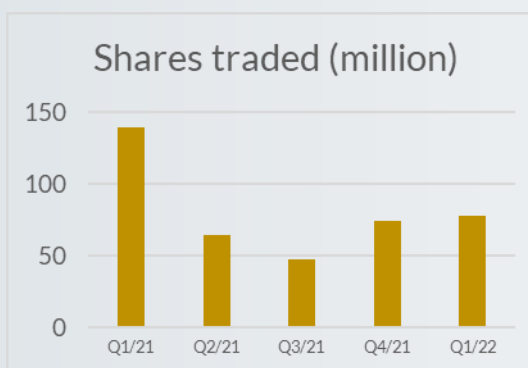
SHARES AND SHARE TRADINGS

Sotkamo Silver AB's share capital on March 31, 2022, was 274 871 388 SEK and the number of shares 200 366 211.

Sotkamo Silver AB's 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.

During the reporting period 77 544 829 (139 602 123) shares were traded on NGM Equity in Stockholm and Nasdaq in Helsinki.

Share information	Q1 2022	Q1 2021
Share price SEK	2.00	3.20
Highest share price SEK, during the period	2,25	5.53
Lowest share price SEK, during the period	1,39	3.00
Quota value SEK	1.37	1.37
Market Cap. MSEK	401	565
Number of shares	200 366 211	184 518 783
Share capital SEK	274 871 388	253 131 173



RISK FACTORS

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

The Company's interest rate risk has increased with the new senior loan at a floating rate. The risks and mitigating them are described in more detail in the Annual Report for 2021, p. 38–41.

COVID-19 UPDATE

During the reporting period and more recently, the short-term absence rates of our own and contractors' personnel have been higher than average due to Covid-19. This has led to the rearrangement of the shifts and a temporary lack of resources. The critical works and functions have been secured and performed to ensure the production, but the situation has caused inevitable some impacts to the production.

The most recent variants are less serious but its potentially rapid spread can cause difficulties in operating the Silver Mine and in the worst case may temporarily have to close parts of its operations.

WAR IN UKRAINE

Russia's hostile invasion to Ukraine has ruined the geopolitical balance and affected the global economic climate. Uncertainty on the development and escalation of the actions of war and its effects on energy and raw material supplies and prices are unpredictable. We are not facing direct impacts on our business. Indirectly, the war and economic crisis have an impact on metal prices but simultaneously the accelerating inflation and cost increase impact the production costs, and the net impact cannot be predicted in the distant future.

FINANCIAL CALENDAR

- AGM 27 April 2022
- Q2 29 July 2022
- Q3 21 October 2022
- Q4 17 February 2023

FINANCIAL REPORTS

The reports are available at the Company webpage: www.silver.fi/en/investors

This report has not been reviewed by the Company's auditors.

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

Stockholm, April 26, 2022

Sotkamo Silver AB's Board of Directors and CEO

CONSOLIDATED, CONDENSED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

<i>Amount in MSEK</i>	2022 Q1-22	2021 Q1-21	2021 FY21
Net sales	114,3	95,1	386,8
Change of finished goods	-1,3	0,9	1,3
Other income	5,7	-1,7	0,6
Supplies	-53,6	-54,2	-203,8
Other expenses	-16,9	-15,8	-53,7
Employee expenses	-10,4	-10,2	-39,2
EBITDA	37,8	14,1	92,0
Depreciation and amortization	-23,0	-20,2	-84,7
EBIT	14,8	-6,1	7,3
Financial income	0,0	0,1	0,0
Financial expenses	-6,0	-6,6	-22,9
Interest expenses on lease payments	-0,3	-0,5	-1,9
Financial net	-6,3	-7,0	-24,8
Result after financial items	8,4	-13,1	-17,5
Taxes	0,0	0,0	0,0
RESULT FOR THE PERIOD	8,4	-13,1	-17,5

OTHER COMPREHENSIVE INCOME

Result that may be reclassified to current period result:

Translation differences	2,5	5,2	4,5
Total comprehensive income	11,0	-7,9	-13,0

Attributable to:

The parent company shareholders	11,0	-7,9	-13,0
TOTAL	11,0	-7,9	-13,0

Profit per share, non-diluted, SEK	0,04	-0,07	-0,09
Profit per share, diluted, SEK	0,04	-0,07	-0,09

CONSOLIDATED, CONDENSED BALANCE SHEET

Amount in MSEK	31.3.2022	31.3.2021	31.12.2021
Assets			
Fixed assets			
Intangible fixed assets	0,0	0,0	0,0
Tangible fixed assets	514,7	525,5	516,4
Right of use assets	25,0	44,5	29,6
Financial fixed assets	24,6	12,6	35,1
Total fixed assets	564,3	582,5	581,1
Current assets			
Inventories	4,1	4,9	5,3
Trade receivables	42,0	28,8	28,8
Other assets	215,1	9,3	11,7
Cash and cash equivalents	44,1	26,0	36,7
Total current assets	305,3	69,0	82,5
Total assets	869,6	651,6	663,6
Equity			
Share capital	274,9	260,7	274,9
Other contributed capital	212,5	207,6	212,5
Retained earnings	-235,9	-220,2	-220,9
Result of the period	8,4	-13,1	-17,5
Total Equity	260,0	235,1	249,0
Liabilities			
Provision	43,8	42,0	43,3
Non-current borrowings	255,8	250,1	53,6
Non-current lease liabilities	10,3	25,8	11,1
Current borrowings	212,8	0,0	195,1
Current lease liabilities	18,7	22,9	22,6
Trade payables and other payables	68,2	75,7	88,8
Total liabilities	609,6	416,5	414,6
Total equity and liabilities	869,6	651,6	663,6
Equity Ratio %	29,9 %	36,1 %	37,5 %
Cash Liquidity Ratio %	107,2 %	84,7 %	27,2 %
Equity per share, SEK	1,30	1,24	1,24
Equity per share, diluted, SEK	1,23	1,17	1,18

CONSOLIDATED, CONDENSED CHANGE IN EQUITY

<i>Amount in MSEK</i>	Share capital	Other contributed capital	Translation differences	Retained earnings	Total Equity
Opening Equity 1.1.2021	247	191	-9	-217	212
PERIOD RESULT					
Sum of period result				-17	-17
OTHER COMPREHENSIVE INCOME					
Translation difference			4		4
Sum of other comprehensive income	0	0	4	0	4
Transactions with shareholders					
Share issue and convertible loan conversion	28	24			52
Issue costs		-2			-2
Sum of transactions with shareholders	28	22	0	0	50
Closing Equity 31.12.2021	275	213	-4	-234	249
PERIOD RESULT				8	8
Sum of period result				8	8
OTHER COMPREHENSIVE INCOME					
Translation difference			3		3
Sum of other comprehensive income	0	0	3	0	3
Transactions with shareholders					
Share issue and convertible loan conversion					0
Issue costs					0
Sum of transactions with shareholders	0	0	0	0	0
Closing Equity 31.3.2022	275	213	-2	-226	260

CONSOLIDATED, CONDENSED STATEMENT OF CASH FLOW

<i>Amount in MSEK</i>	1.1.2022- 31.3.2022	1.1.2021- 31.3.2021	1.1.2021- 31.12.2021
Operating activities			
Result for the period	8,4	-13,1	-17,5
Adjustments for items not effecting cash	28,9	24,3	105,2
Interests paid	-15,2	-16,0	-21,0
Cash flow from operating activities before changes in working capital	22,1	-4,7	66,7
Cash flow from changes in working capital			
Change in inventories	1,2	-1,0	-1,3
Change in operating receivables	-68,7	-2,3	-26,7
Change in operating liabilities	-10,5	-4,3	-3,1
Cash flow from operating activities	-55,9	-12,4	35,6
Investing activities	-13,4	-8,0	-48,4
Share issue and convertible loan conversion	0,0	31,6	37,3
Issue costs	0,0	-0,9	-2,5
Repayments of lease liabilities	-5,2	-5,2	-20,2
Change in loans	15,7	-15,0	-1,1
Cash flow from financing activities including share issue	10,5	10,5	13,5
Change in cash and cash equivalents	-58,8	-10,0	0,6
Cash and cash equivalents in the beginning of the period	36,7	35,4	35,4
Translation differences in cash and cash equivalent	0,1	0,6	0,7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	44,1	26,0	36,7

PARENT COMPANY CONDENSED STATEMENT OF INCOME

	2022	2021	2021
<i>Amount in MSEK</i>	Q1-22	Q1-21	FY
Net sales	0,0	0,0	0,0
Other income	0,0	0,6	0,6
Supplies	-0,1	0,0	0,2
Other expenses	-1,2	0,9	-6,1
Employee expenses	-0,6	-4,0	-1,8
EBITDA	-1,9	-2,4	-7,1
Depreciation and amortization	0,0	0,0	0,0
EBIT	-1,9	-2,4	-7,1
Financial income	14,6	9,1	44,9
Financial expenses	-2,4	6,8	-5,0
Financial net	12,2	15,8	39,9
Result after financial items	10,3	13,4	32,7
Taxes	0,0	0,0	0,0
RESULT FOR THE PERIOD	10,3	13,4	32,7

PARENT COMPANY CONDENSED BALANCE SHEET

<i>Amount in MSEK</i>	31.3.2022	31.3.2021	31.12.2021
Assets			
Fixed assets			
Intangible fixed assets	0,0	0,0	0,0
Tangible fixed assets	0,3	0,0	0,0
Shares in subsidiaries	174,9	174,9	174,9
Financial fixed assets	527,2	422,5	429,2
Total fixed assets	702,4	597,4	604,1
Other assets	81,7	75,5	77,9
Cash and cash equivalents	6,7	4,5	31,5
Total current assets	88,4	80,0	109,4
Total assets	790,8	677,4	713,5
Equity and liabilities			
Equity	670,3	621,6	660,0
Liabilities			
Long term liabilities	66,2	52,2	0,0
Short term liabilities	54,4	3,6	53,5
Total liabilities	120,6	55,8	53,5
Total equity and liabilities	790,8	677,4	713,5

EXCHANGE RATES

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

	31.3.2022	31.3.2021	31.12.2021
Balance sheet day rate EUR/SEK	10.34	10.24	10.23
Balance sheet day rate USD/SEK	9.26	8.72	9.04
Average rate for the reporting period EUR/SEK	10.48	10.12	10.14

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 are described in the annual report 2021.

Accounting principles

The interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, 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 of the year 2021.

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 is considered to have been 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, 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. The metal content between the provisional and final invoices may differ due to refined laboratory analysis. Adjustments due to differences in metal content are made up to date of final pricing. The changes in fair value are reported in net sales.

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.

On 31 March 2022, the fair value of accounts receivable amounts to 42 M SEK (29) 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 by the number of shares

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

LTIFR, Lost time injury frequency rate (LTIFR) means the number of lost time injuries for million working hours

Ounce, Troy ounce which is 31.1035 grams