

# Production and profitability at a targeted good level

Interim Report Q3/2023



## HIGHLIGHTS

### July- September

- Net sales increased by 66 % to 110 MSEK (66 MSEK), driven mainly by a higher silver production volume, higher average silver grade and positive development of silver price
- EBITDA increased to 37 MSEK (-10), EBITDA margin increased to 34 % (-16)
- EBIT increased to 17 MSEK (-32)
- Profitability increased significantly driven by a higher average silver grade, higher silver price, improved efficiency of mining activities, and decreased energy prices. The cost control measures initiated during the previous year had a positive impact on the Company's operational costs
- Cash and cash equivalents increased to 65 MSEK (7)
- Investments decreased by 29 % to 12 MSEK (17)
- The production amounted to approximately 412,000 ounces of silver (258,000), 794 ounces of gold (790), 183 tonnes of lead (304), and 393 tonnes of zinc (647) in concentrates

*Comparative figures refer to the corresponding period of the previous year. In case of discrepancies, the official Swedish version of this report prevails.*

### January – September

- Net sales increased by 10 % to 298 MSEK (271 MSEK), driven mainly by a higher average silver grade and positive development of silver price
- EBITDA increased by 183 % to 96 MSEK (34), EBITDA margin increased to 32 % (13)
- EBIT increased to 42 MSEK (-33)
- The good profitability in the second and third quarters raised the cumulative profitability to a good level. As a result of the good EBITDA level in the second and third quarters, the net debt-to-EBITDA ratio declined to 2.0
- Cash and cash equivalents increased to 65 MSEK (1)
- Investments decreased by 46 % to 28 MSEK (52)
- The production was approximately 1,002,000 ounces of silver (875,000), 2,146 ounces of gold (2,456), 732 tonnes of lead (1,134), and 1,570 tonnes of zinc (2,461) in concentrates
- During the first quarter of 2023, the Company received gross proceeds of approximately 3.4 MEUR or 38.4 MSEK from the rights issue before the deduction of transaction costs.
- During the first quarter of 2023, the Company and the senior lenders agreed, upon an amendment to the terms of the senior loan agreement, to postpone the first installment (1.5 MEUR due on March 31, 2023) to be paid on the termination date of the senior loan agreement (March 31, 2026)

## OUTLOOK

### Guidance for 2023 (unchanged)

The Company has issued the following guidance for 2023 on 14 February 2023:

- The Company expects to produce 1.4 -1.5 million ounces of silver in 2023. However, Company's primary target is to maximize the revenue and operational cash flow. To achieve this, Company adjusts the mix of metals in the ore feed which might have an impact on the produced silver ounces.
- Annual EBITDA to be at least 28 %
- Net debt-to-EBITDA to be below 2.5 at year-end

The Company's profitability is significantly affected by external factors, such as metal prices, exchange rates, as well as energy prices. The achievement of guidance requires the above-mentioned external factors to remain at the level forecasted by the market in mid-February 2023.

## CEO REVIEW

### Production and profitability at a targeted good level

In the third quarter, Sotkamo Silver's operations proceeded according to plan, and silver production increased to its highest level in three years (412,000 ounces). Thanks to improved operational efficiency and the increased production volumes achieved this year, the Company's operations and profitability have now reached a good level and we are making steady progress towards our targets.

The Company's net sales increased by 66 percent from the previous year, supported by increased production as well as the price of silver which remained on a favorable level. The increase in production was positively impacted by the forecasted good level of the average silver grade (110 g/tonne). Compared to the previous quarter, net sales decreased slightly, mainly due to lower production volumes of zinc and lead.

Profitability remained clearly higher than in the comparison period and EBITDA margin was 34%. As anticipated, costs increased slightly from the previous quarter as production ramped up to full speed.

I am pleased with how we have managed to stabilise Sotkamo Silver's operations, which is visible in the positive development of mining operations, the average silver grade as well as other operations. I would like to thank all of our

employees, who have worked hard for this. Their work has also enabled us to shift our focus to the future and the Company's long-term development.

In addition to operational development in July–September we have also made preparations for the future. During the year, infill drilling has been continuously carried out and a total of 7,500 meters has been completed below the current operational levels. During the last quarter, based on the results of the infill drilling, we will provide investors with an update on the Company's economically viable ore reserves in the short-term. The results, based on more frequent and detailed drilling, will primarily support the planning and production for the next few years.

At the same time, we have started planning exploration drillings aimed at increasing the mineral resources and extending the Life-of-Mine (LOM) of the current mine as part of an action plan for the coming years. We will communicate the plans for these drillings in more detail during the first half of 2024.

In addition, more detailed planning for the broader regional exploration work outside the current mining district has been initiated. In practice, this has meant modelling existing research data with new more advanced tools to identify and verify the most potential areas. Based on the modelling, we will prioritise the areas where concrete exploration investments will be targeted in the coming years.

Additionally, to the financial development of the Company and investment planning, we remain focused on our goal of taking the sustainability of our operations to another level, which involves achieving level A in all areas of the mining sustainability system and, for example, reducing nitrogen emissions from our mine – to zero in the long term. This allows us to best meet the needs of our shareholders, employees, and other stakeholders.



Mikko Jalasto, CEO

## Key figures

	Q3/23	Q3/22	Change, %	1-9/23	1-9/22	Change, %	2022
Net sales, MSEK	110	66	66	298	271	10	371
EBITDA, MSEK	37	-10		96	34	183	53
EBITDA margin %	34	16		32	13		14
EBIT, MSEK	17	-32		42	-33		-34
EBIT margin %	28	-48		14	-12		-9
Equity ratio %	43	38		43	38		38
Cash liquidity %	93	41		93	41		46
Net debt-to-EBITDA ratio	2.0	4,4	-55	2,0	4,4	-55	5.3
Personnel at the end of the period	47	52	-10	47	52	-10	44
Silver production, koz	412	258	60	1002	875	15	1,169
Mill feed, kt	133	138	-4	367	481	-24	635
Average silver grade, g/tonnes	110	69	59	99	67	48	69

Table 1

## Financial performance

During the third quarter, **net sales** increased by 66 % to 110 MSEK (66 MSEK), driven mainly by a higher silver production volume and higher average silver grade and positive development of silver price. Compared to the previous quarter, net sales decreased slightly, mainly due to lower production volumes of zinc and lead and slightly lower market prices of metals.

**Other income** was 3 MSEK (0) during the quarter, including mainly estimated unrealized final sales price adjustment due to the price difference between provisional and final invoices for the period. Net sales included 0,4 MSEK estimated final metal content adjustment due to the metal content difference between provisional and final invoices for the period. The final sales prices for silver and gold are based on the monthly average market price two months after the delivery, deducted by the customer's smelter charges.

**Profitability** increased significantly during the third quarter driven by a higher average silver grade, higher silver price, improved efficiency of mining activities and decreased energy prices. The cost control measures that were initiated last year had a positive impact on the Company's operational costs.

**Investments** in the underground mine and environmental investments decreased by 29 percent to 12 MSEK (17)

during the quarter. Investments during Q1-Q3/2023 totaled 28 MSEK (52). Infill-drilling continued, and costs were included in the investments of the period.

During the third quarter **silver price** fluctuated in a range between \$22.4 and \$25.2 per ounce and during Q1-Q3/2023 between \$20.1 and \$26.0. At the end of the quarter, the silver price was \$23.1 per ounce. The **Euro** depreciated against the US dollar by 2.8 %, being at 1.0899 at the beginning and at 1.0594 at the end of the quarter. **EUR/USD** rate was 1.0666 at the beginning of the year. The changes in the value of the euro against the **US dollar** during the year had a negative impact of 5.3 MSEK on the Company's result. In January-September, the Euro strengthened against the Swedish krona from 11.1283 at the beginning of the year to 11.4923 at the end, which improved the Company's result by 2.1 MSEK.

## Financial position and cash flow

During the third quarter, the Group's **cash and cash equivalents** increased to 65 MSEK (7). Overall, Cash and cash equivalents increased to 65 MSEK (1) during January-September. **Cash flow from operating activities** amounted to 13 MSEK during Q1/2023, 18 MSEK during Q2/2023 and 43 MSEK during Q3/2023. According to the Company's estimate, it has sufficient liquidity for at least the next 12 months of operations, including senior loan installment and related interest payment.

The Group's **equity ratio** increased to 43 % (38).

The Group's **equity** was 291 MSEK (243) which corresponds to 1.02 SEK (1.21) a share non-diluted, and 0.90 SEK (1.03) diluted.

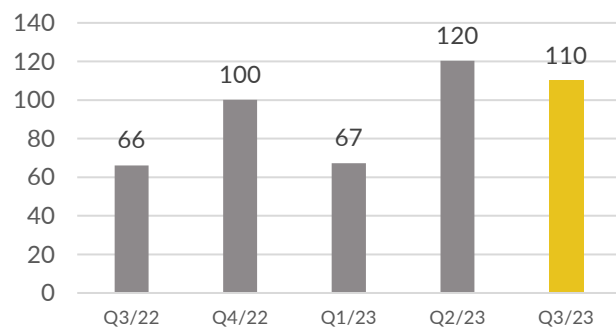
## Market data

	Q3/23	Q3/22	1-9/23	1-9/22	2022
Average silver price USD	23.6	19.2	23.4	21.9	21.7
Average EUR/USD	1.0884	1.0070	1.0833	1.0638	1.0530

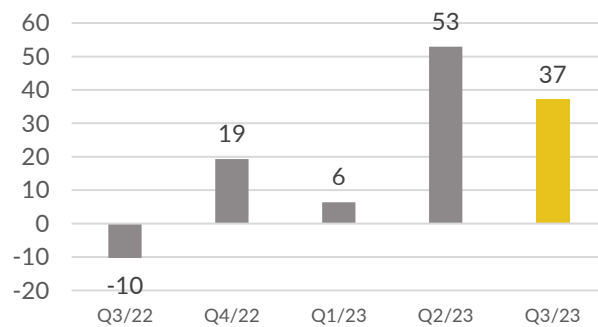
Table 2

## Financial key figures

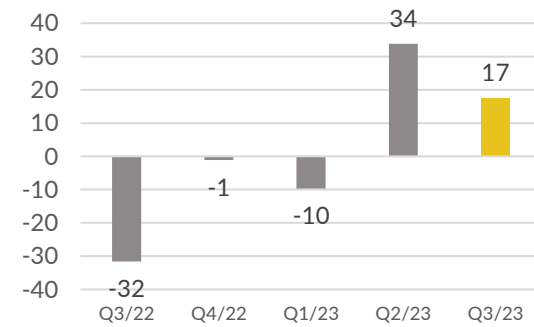
Net Sales, MSEK



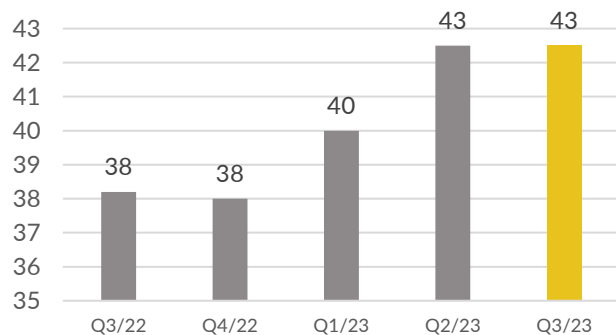
EBITDA, MSEK



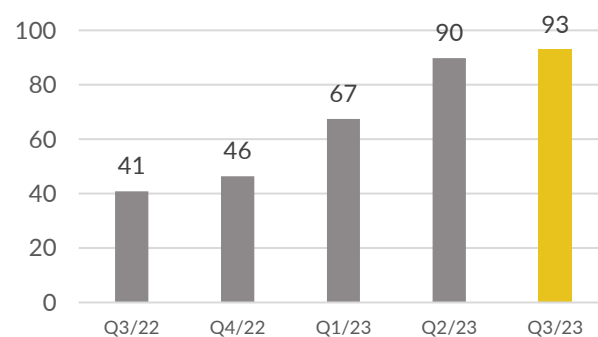
EBIT, MSEK



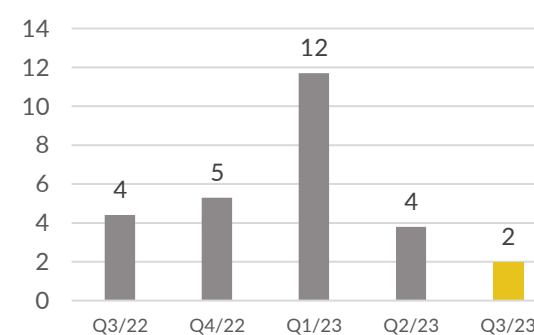
Equity ratio, %



Cash liquidity, %



Net debt-to-EBITDA



## Operational performance

During the quarter, the total amount of **milled ore** decreased by 3 % to 133,000 tonnes compared to the previous year (138,000). Volume was in line with the Company's production plans. In total, the production amounted to 412,000 ounces **silver** (258,000), 749 ounces of **gold** (790), 183 tonnes of **lead** (304), and 393 tonnes of **zinc** (647) in concentrates.

Silver production developed in a positive direction and with production reaching its highest level since 2020. Lead and zinc production decreased due to the natural variation in ore, and this is expected to continue in the current mining areas.

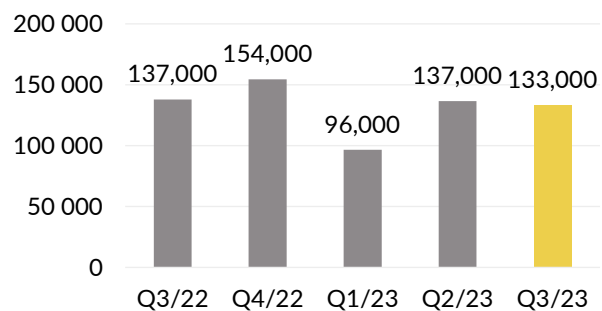
Improvement of mining operations has proceeded according to plan with the new mining contractor to ensure stable long-term operations. Progress was made with drifting and decline, which are essential for cost-efficient mining in coming quarters and years.

The **silver head grade** continued to improve during the quarter and increased to 110 g/tonne (69). The increase was anticipated and further supports the Company's expectations that head grades will remain at 90-110 g/tonne level in the coming quarters as well.

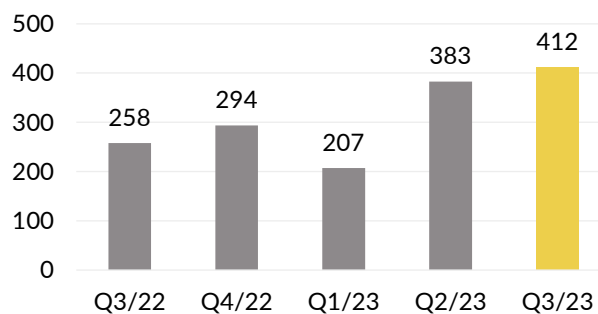


## Operational key figures

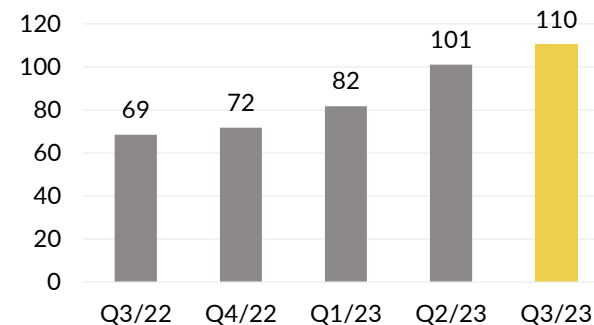
Milled ore, tonnes



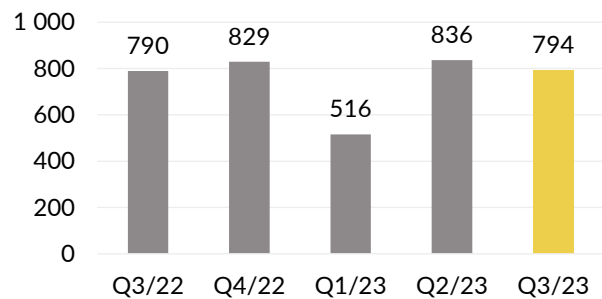
Silver production, koz



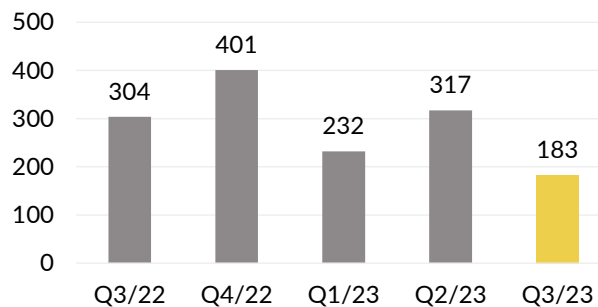
Silver head grade, g/tonnes



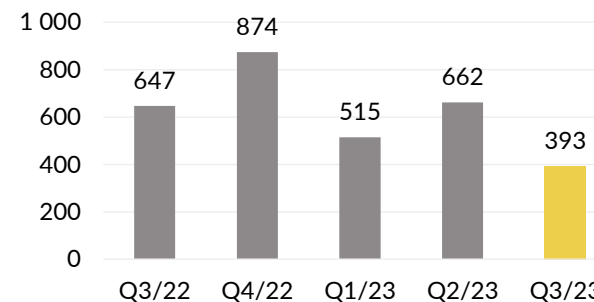
Gold production, oz



Lead production, tonnes



Zinc production, tonnes



## Strategy

The cornerstones of Sotkamo Silver's strategy are:

1. Development of the existing silver mine and ensuring a solid foundation for the Company's expansion
2. Increase mineral resources by continuing exploration in the current mine and the Kainuu region
3. Sustainable use of natural resources

## Previously completed activities

During 2023, Sotkamo Silver has:

- Strengthened the financial position of the Company through a successful share issue, as well as increased the profitability of the Company to improve income financing capabilities. Cash and cash equivalents increased to 65 MSEK by the end of the third quarter.
- Reached targeted mining levels (360-420 metres) for improved head grade and turnover. Sotkamo Silver has since gradually increased production at these levels, enabling improved silver grades and increased profitability. Decline development is planned to continue during the rest of the year to provide a solid basis for future operations.
- Started selling pyrite (by-product) to reduce the environmental impacts and increase resource efficiency

## Key activities, Q3/2023

### Infill-drilling, current mine

The Company has continued infill-drilling to enable cost-efficient detailed planning for the coming years. By the end of the third quarter, the Company has drilled over 7,500 meters (5,500 by the end of the second quarter). The Company expects to report new infill-drilling results during the last quarter of 2023. The infill-drilling also provides the data which is necessary to upgrade existing mineral resources to ore reserves. The results to be published will not have an impact on the company's total mineral resources or the life of the mine (LOM).

### Extending Life-of-Mine, current mine

During the quarter, the Company initiated planning activities for extending LOM until 2035. The purpose of the planning is to identify feasible and efficient options for extensions below 700 meters as well as researching the potential on west side of the current mineralization. Plans to extend the LOM will be communicated in more detail during the first half of 2024.

### Exploration, broader Kainuu region

During the quarter, the Company initiated activities to use modern modeling tools to analyze existing research data to support the longer-term exploration of the Kuhmo-Suomussalmi greenstone belt in the Kainuu region. This information should support the company as it continues to

prepare investment plans related to further exploration activities.

### Financing of investments

The Company continues infill drilling, planning activities related to extending the LOM as well as above mentioned activities related to exploration in the broader region with income financing to the extent currently feasible.

The Company is currently exploring financing options for potential investment scenarios for both extending the LOM of the current mine as well as the further exploration of the broader Kainuu region. The Company will communicate more about investments and financing as planning is completed.

### Hedging policy

The Company has approved a hedging policy for electricity price and has hedged part of the electricity purchase price for the fourth quarter of this year and the first quarter of 2024. Sotkamo Silver continues to evaluate opportunities to mitigate risks related to volatile metal, currency, and financial markets through derivative instruments (hedging). The Company aims to finalize the policies by the end of the year. At the same time, the Company is preparing the necessary agreements with counterparties to execute hedges depending on the market situation.

## Safety and environment

### Safety

The lost time injury frequency rate (LTIFR, the number of lost time injuries for million working hours) was 15 (4) at the end of the period, including all contractors. LTIFR of 15 corresponds to four Lost Time Injuries (LTI) within a 12-month period. The Company wants to reinforce and encourage a positive safety culture in its own organization and with its contractors. The long-term goal for LTIFR is zero. At the quarter-end, the Company's own personnel and regular contractors at mine had worked 16 days without LTIs.

### Nitrogen emission reduction

The annual limit for nitrogen emissions to water is defined in silver mine's environmental permit. As communicated in the Half-Year Report, due to a delay in the development of solutions for nitrogen reduction, the current permit limit was exceeded during the third quarter, as expected. The Company has continued the dialogue with the permit authorities regarding reducing emissions. The Company will no longer seek an official extension but will instead continue to focus on ongoing and planned emission reduction activities in close dialogue with authorities. These activities include moving to nitrogen-free explosives in longer term as well as nitrogen reduction in current processes through optimal explosive usage, water management and enhancing current passive nitrogen removal processes.

Nitrogen emissions of the silver mine originate from the explosives containing nitrogen. The Company has concluded that all feasible water treatment technologies would increase other emissions to water due to the needed addition of chemicals and thus the most sustainable method is to eliminate the source of the emission by replacing the current explosives with ones that do not contain nitrogen. The transition to the nitrogen-free explosives was planned to be done in 2022-2023 but the original schedule was delayed due to increasing delivery times and uncertainty in the financing market.

The Company estimates that the delayed emission reductions do not cause environmental harm to the receiving water bodies. This is supported by the water sampling data which continues to show good water quality. The water quality in the nearest rivers and lakes is followed according to the authority-approved monitoring plan by an external and certified consultant. It's estimated that the planned actions will not have an operational effect on the Company. In the long run, Company aims at zero nitrogen emissions in water.

## Personnel

The Company had 47 (52) own employees and 91 (107) contracted employees permanently worked at the silver mine site.

The difference compared to last year is due to the few open positions to be filled.



## Shares and trading

Sotkamo Silver AB's share capital on September 30, 2023, was 275,504,549 SEK and the number of shares was 285,758,153.

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.

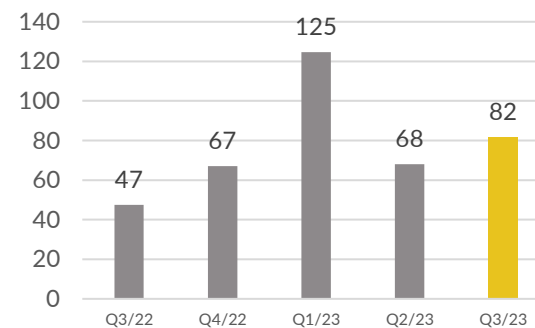
During the third quarter 81,638,556 (47,467,377) and 274,843,853 (150,462,298) shares during Q1-Q3/2023 were traded on NGM Equity in Stockholm and Nasdaq in Helsinki.

### Share information

	Q3/2023	Q3/2022
Share price, SEK	0.67	0.64
Highest share price during the period, SEK	0.71	1.49
Lowest share price during the period, SEK	0.58	0.54
Quota value, SEK	0.96	1.37
Market cap, MSEK	191	128
Number of shares	285,758,153	200,366,211
Number of shares, diluted	322,340,553	236,948,611
Share capital, SEK	275,504,549	274,871,388

Table 3

### Shares Traded (million)



## Risks and uncertainties

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 revenue comes from the sale of flotation concentrates priced in USD. Costs are primarily in EUR and SEK. The Group's balance sheet consists mainly of assets and liabilities in EUR. The Company, therefore, has an exposure of the net balance sheet in EUR/SEK since the Parent Company's accounting currency is SEK.

The risks and mitigating them are described in more detail in the Annual Report for 2022, p. 22–25.

## Resolutions made at the Annual General Meeting

The following main resolutions were made at the Annual General Meeting (AGM) held on April 18, 2023:

- The income statement and the balance sheet for both the parent company and the group regarding the financial year 2022 were adopted by the AGM. The AGM decided that

no dividend would be paid out for the financial year 2022. The members of the Board and the CEO were granted discharge from liability for the financial year 2022.

- The AGM decided that the Board would comprise of six ordinary members without deputy directors. Jarmo Vesanto, Kimmo Luukkonen, Eeva-Liisa Virkkunen, Sixten Sunabacka and Jukka Jokela were re-elected as directors and Mauri Visuri was elected as director. Eeva-Liisa Virkkunen was re-elected chairman of the Board.
- The AGM resolved to re-elect the auditing company PwC until the end of the AGM 2024.
- The guidelines for remuneration for the management and the procedure for appointing the members of the nomination committee were approved in accordance with the proposals from the Board.
- The AGM approved the nomination committee's proposal for annual fees to the Board.
- The AGM resolved, for the period until the next AGM, to authorize the Board, at one or several occasions, to issue new shares or other financial instruments. The authorization is limited to a maximum dilution of ten (10) percent of the total number of shares outstanding at the time of the first Board resolution in accordance with the authorization.

## Events after the reporting period

No significant events have materialized after the reporting period.

## Financial calendar

- Q4/2023 and Full year 2023: February 15, 2024
- Annual General Meeting: April 23, 2024
- Q1/2024: April 25, 2024
- Q2/2024: July 26, 2024
- Q3/2024: October 25, 2024

**Stockholm, October 25, 2023**

### Sotkamo Silver AB's Board of Directors and CEO

Eeva-Liisa Virkkunen (Chairman)  
Sixten Sunabacka  
Jarmo Vesanto  
Kimmo Luukkonen  
Jukka Jokela  
Mauri Visuri

Mikko Jalasto (CEO)



*Measuring a drill core sample from the Infill-drillings*

## About Sotkamo Silver

Sotkamo Silver is a mining and ore prospecting company that develops and utilises mineral deposits in the Kainuu region in Finland. Sotkamo Silver supports the global development towards green transition technologies and produces the metals needed responsibly and by taking local stakeholders into account. Sotkamo Silver's main project is a silver mine located in Sotkamo, Finland. In addition to silver, the mine produces gold, zinc, and lead. The company also has mining and ore prospecting rights for mineral deposits in the vicinity of the silver mine in Kainuu. Sotkamo Silver Group consists of the parent company Sotkamo Silver AB and its wholly-owned Finnish subsidiary (Sotkamo Silver Oy). Sotkamo Silver is listed at NGM Main Regulated in Stockholm (SOSI), Nasdaq Helsinki (SOSI1), and Börse Berlin.

Read more about Sotkamo Silver at [www.silver.fi/en/](https://www.silver.fi/en/)

## Contact

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The reports are available on  
the Company webpage:  
[www.silver.fi/en/investors](https://www.silver.fi/en/investors)

## Consolidated, condensed statement of income and other comprehensive income

Amount in MSEK	Q3/23	Q3/22	Q1-Q3/23	Q1-Q3/22	2022
Net sales	109.9	66.1	297.5	270.8	370.9
Change of finished goods	1.1	3.2	-0.8	2.7	1.1
Other income	2.6	0.3	-0.8	4.0	11.1
Supplies	-53.9	-51.5	-132.5	-160.8	-215.7
Other expenses	-12.2	-18.9	-35.4	-51.4	-71.4
Employee expenses	-10.4	-9.5	-31.7	-31.4	-42.7
<b>EBITDA</b>	<b>37.1</b>	<b>-10.3</b>	<b>96.3</b>	<b>34.0</b>	<b>53.2</b>
Depreciation and amortization	-19.7	-21.3	-54.8	-66.99	-87.4
<b>EBIT</b>	<b>17.4</b>	<b>-31.6</b>	<b>41.5</b>	<b>-33.0</b>	<b>-34.1</b>
Financial income	-0.7	12.9	-1.3	31.6	35.4
Financial expenses	-5.3	-8.0	-27.4	-21.9	-27.9
Interest expenses on lease payments	-0.2	-0.2	-0.5	-0.9	-1.1
<b>Financial net</b>	<b>-6.2</b>	<b>4.7</b>	<b>-29.2</b>	<b>8.8</b>	<b>6.3</b>
<b>Result after financial items</b>	<b>11.2</b>	<b>-26.8</b>	<b>12.3</b>	<b>-24.2</b>	<b>-27.8</b>
Taxes	0.0	0.0	-2.8	0.0	0.0
<b>Result for the period</b>	<b>11.2</b>	<b>-26.8</b>	<b>9.4</b>	<b>-24.2</b>	<b>-27.8</b>

Result that may be reclassified to current period result:

Amount in MSEK	Q3/23	Q3/22	Q1-Q3/23	Q1-Q3/22	2022
Translation differences	-8.7	6.1	9.3	18.5	22.5
Cash flow hedges	-0.2	0.0	-0.2	0.0	
Income tax of cash flow hedges	0.0	0.0	0.0	0.0	
<b>Total comprehensive income</b>	<b>2.3</b>	<b>-20.7</b>	<b>18.6</b>	<b>-5.7</b>	<b>-5.3</b>
<b>Attributable to:</b>					
The parent company					
shareholders	2.3	-20.7	18.6	-5.7	-5.3
<b>Total</b>	<b>2.3</b>	<b>-20.7</b>	<b>18.6</b>	<b>-5.7</b>	<b>-5.3</b>
Earnings per share, non-diluted, SEK	0.04	-0.13	0.03	-0.12	-0.14
Earnings per share, diluted, SEK	0.03	-0.13	0.03	-0.10	-0.14

## Consolidated, condensed balance sheet

Amount in MSEK	30.9.2023	30.9.2022	31.12.2022
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	0.3	0.3	0.3
Tangible fixed assets	531.8	537.3	536.7
Right of use assets	10.8	16.2	11.1
Financial fixed assets	31.9	34.3	36.4
<b>Total fixed assets</b>	<b>574.2</b>	<b>588.1</b>	<b>584.5</b>
<b>Current assets</b>			
Inventories	6.3	8.5	6.9
Trade receivables	27.0	18.5	39.0
Other assets	11.4	15.2	11.4
Cash and cash equivalents	64.7	7.4	0.8
<b>Total current assets</b>	<b>109.5</b>	<b>49.6</b>	<b>58.0</b>
<b>Total assets</b>	<b>683.7</b>	<b>637.7</b>	<b>642.5</b>
<b>Equity</b>			
Share capital	275.5	274.9	274.9
Other contributed capital	236.3	212.5	212.5
Translation differences	27.7	14.4	18.4
Cash flow hedges	-0.1	0.0	0.0
Retained earnings	-258.1	-234.3	-215.9
Result of the period	9.4	-24.2	-27.8
<b>Total Equity</b>	<b>290.7</b>	<b>243.3</b>	<b>243.7</b>

Amount in MSEK	30.9.2023	30.9.2022	31.12.2022
<b>Liabilities</b>			
Provision	32.5	33.7	31.4
Non-current borrowings	234.3	237.3	240.4
Non-current lease liabilities	6.3	8.7	9.4
Non-current derivative liabilities	3.2	2.8	1.8
<b>Total non-current liabilities</b>	<b>243.9</b>	<b>248.8</b>	<b>251.6</b>
Current borrowings	42.1	16.4	25.8
Current lease liabilities	5.7	11.5	5.6
Derivative financial instruments	0.2	0.0	0.0
Trade payables and other payables	68.7	84.1	84.3
<b>Total current liabilities</b>	<b>116.7</b>	<b>111.9</b>	<b>115.7</b>
<b>Total liabilities</b>	<b>393.0</b>	<b>394.4</b>	<b>398.8</b>
<b>Total equity and liabilities</b>	<b>683.7</b>	<b>637.7</b>	<b>642.5</b>
Equity ratio %	42.5	38.2	37.9
Cash liquidity ratio %	93.0	40.9	46.4
Equity per share, SEK	1.02	1.21	1.22
Equity per share, diluted, SEK	0.90	1.03	1.03

## Consolidated, condensed change in equity

Amount in MSEK	Share capital	Other contributed capital	Translation differences	Cash flow hedges	Retained earnings	Total equity
Opening equity 1.1.2022	275	213	-4	0	-234	249
Period result						
Sum of period result					-28	-28
Other Comprehensive income						
Translation difference			23	0		23
Sum of other comprehensive income	0	0	23	0	0	23
Closing Equity 31.12.2022	275	213	18	0	-262	244
PERIOD RESULT					9	9
Sum of period result					9	9
Other Comprehensive income						
Translation difference			9			9
Cash flow hedges				0		0
Income tax of cash flow hedges				0		0
Sum of other comprehensive income	0	0	9	0	0	9

Amount in MSEK	Share capital	Other contributed capital	Translation differences	Cash flow hedges	Retained earnings	Total equity
Transactions with shareholders						
Reduction of share capital	-264				264	0
Bonus issue	260				-260	0
Rights issue	5	34				39
Issue costs		-10				-10
Sum of transactions with shareholders	1	24	0	0	4	28
Closing Equity 30.9.2023	276	236	28	0	-249	291

Consolidated, condensed statement of cash flow

Amount in MSEK	Q1-Q3/23	Q1-Q3/22	2022
<b>Operating activities</b>			
Result for the period	9.4	-24.2	-27.8
Adjustments for items not effecting cash	83.2	53.0	76.0
Interest paid	-16.7	-16.8	-22.5
<b>Cash flow from operating activities before changes in working capital</b>	<b>75.8</b>	<b>12.1</b>	<b>25.8</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories	0.6	-3.2	-1.6
Change in operating receivables	17.6	9.8	-8.1
Change in operating liabilities	-19.6	-3.2	-2.7
<b>Cash flow from operating activities</b>	<b>74.4</b>	<b>15.4</b>	<b>13.3</b>

Amount in MSEK	Q1-Q3/23	Q1-Q3/22	2022
<b>Investing activities</b>	<b>-27.5</b>	<b>-50.7</b>	<b>-60.9</b>
Share issue and convertible loan conversion	38.6	0.0	0.0
Issue costs	-10.3	0.0	0.0
Repayment of lease liabilities	-6.8	-15.2	-16.6
Change in loans	-4.5	20.9	27.9
<b>Cash flow from financing activities including share issue</b>	<b>17.0</b>	<b>5.6</b>	<b>11.3</b>
<b>Change in cash and cash equivalents</b>	<b>63.9</b>	<b>-29.6</b>	<b>-36.3</b>
Cash and cash equivalents in the beginning of the period	0.8	36.7	36.7
Translation differences in cash and cash equivalent	0.0	0.4	0.5
<b>Cash and cash equivalents at the end of period</b>	<b>64.7</b>	<b>7.4</b>	<b>0.8</b>

## Parent company condensed statement of income

Amount in MSEK	Q1-Q3/23	Q1-Q3/22	2022
Net sales	0.0	0.0	0.0
Other income	0.0	0.0	0.0
Supplies	0.0	-0.2	-0.2
Other expenses	-22.6	-4.1	-5.9
Employee expenses	-1.9	-1.7	-2.5
<b>EBITDA</b>	<b>-24.6</b>	<b>-6.0</b>	<b>-8.6</b>
Depreciation and amortization	0.0	0.0	-0.1
<b>EBIT</b>	<b>-24.6</b>	<b>-6.1</b>	<b>-8.6</b>
Financial income	4.1	65.3	88.2
Financial expenses*	-123.5	-7.3	-371.6
<b>Financial net</b>	<b>-119.3</b>	<b>58.0</b>	<b>-283.4</b>
<b>Result after financial items</b>	<b>-144.0</b>	<b>51.9</b>	<b>-292.0</b>
Group contributions	0.0	0.0	0.0
Taxes	-2.8	0.0	0.0
<b>Result for the period</b>	<b>-146.8</b>	<b>51.9</b>	<b>-292.0</b>

\*Note: \* Financial expenses consists mainly of write-down of capital loans.

## Parent company condensed balance sheet

Amount in MSEK	30.9.2023	30.9.2022	31.12.2022
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	0.0	0.0	0.0
Tangible fixed assets	0.2	0.3	0.3
Shares in subsidiaries	174.9	174.9	174.9
Financial fixed assets	134.9	587.3	247.8
Deferred tax asset	0.0	0.0	0.0
<b>Total fixed assets</b>	<b>310.0</b>	<b>762.5</b>	<b>422.9</b>
Other assets	17.6	16.4	16.6
Cash and cash equivalents	7.5	4.9	0.7
<b>Total current assets</b>	<b>25.1</b>	<b>21.3</b>	<b>17.3</b>
<b>Total assets</b>	<b>335.2</b>	<b>783.8</b>	<b>440.3</b>
<b>Equity and liabilities</b>			
Equity	249.5	711.9	368.0
<b>Liabilities</b>			
Long term liabilities	72.0	67.9	69.3
Short term liabilities	13.6	4.0	2.9
<b>Total liabilities</b>	<b>85.7</b>	<b>71.9</b>	<b>72.3</b>
<b>Total Equity and liabilities</b>	<b>335.2</b>	<b>783.8</b>	<b>440.3</b>

## Exchange rates

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

	30.9.2023	30.9.2022	31.12.2022
Balance sheet day rate EUR/SEK	11.49	10.92	11.13
Balance sheet day rate USD/SEK	10.84	11.12	10.44
Average rate for the reporting period EUR/SEK	11.48	10.53	10.63

## 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 2022.

### 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 for the year 2022.

### 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 the 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 Company'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 the 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

The Company implemented at the beginning of April 2022 a directed issue of convertibles of an aggregate nominal amount of up to 6.4 MEUR. The convertibles carry an annual interest of 8.0%. The term of the convertibles is 4.5 years with a maturity date on 30 September 2026, to the extent that conversion has not taken place before such date. The conversion price is 0.175 EUR corresponding to 1.826 SEK per share.

The convertible contains two components: a conversion option component that will be recognized at fair value using the Black-Scholes model through a profit and loss account and a liability component that will be recognized at

amortized cost using the effective interest rate method. At the inception date, the fair value of the convertible option liability was 34 MSEK and the fair value of the liability component was 32 MSEK. On September 30, 2023, the fair value of the convertible option component was 3 MSEK and the fair value of the liability component was 46 MSEK. The fair value changes recognized through a profit and loss account were: conversion option liability -1 MSEK, and liability component -3 MSEK.

The Company uses electricity price fixing contracts to hedge electricity price risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The

Company documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships were -0,15 MSEK.

## Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

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 30 September 2023, the fair value of accounts receivable amounts to 27 MSEK (18) 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.

