

Silver is Tomorrow's Opportunity and Necessity

Green transition technologies such as solar cells and electric vehicles require silver. Its global demand is expected to reach a new record and surpass supply (Silver Institute 2022). Sotkamo Silver mines and enriches silver in Kainuu, Finland, respecting the local environment and the community.

Invest in the multi-purpose metal of the future mined in Finland.

Sotkamo Silver's rights issue 22 February–8 March 2023



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General Information on the Share Issues

Sotkamo Silver AB (“Sotkamo Silver” or the “Company”) arranges a rights issue (the “Rights Issue”) and a directed issue (the “Directed Issue” and together with the Rights Issue the “Share Issues”) in order to strengthen the financial position of the Company. The Rights Issue and the Directed Issue were resolved by the Company’s Board of Directors on 17 January 2023 and approved by the extraordinary general meeting held on 16 February 2023.

The Share Issues consist of a Rights Issue of approximately EUR 4.0 million or approximately SEK 45.1 million and a Directed Issue of approximately EUR 1.0 million or approximately SEK 11.3 million, which would provide the Company with gross proceeds of approximately EUR 5.0 million or approximately SEK 56.3 million, excluding transaction related costs.

The Rights Issue

The subscription period for the Rights Issue begins on 22 February 2023 and ends on 8 March 2023. The record date of the Rights Issue is 20 February 2023. The subscription rights shall be allocated to the shareholders in proportion to the shares held on the record date. The subscription rights will be admitted to trading on the NGM Main Regulated between 22 February 2023 and 3 March 2023 and on Nasdaq Helsinki between 22 February 2023 and 2 March 2023. Shareholders registered on the record date shall receive one (1) subscription right for each share in Sotkamo Silver. Two (2) subscription rights entitle the holder to subscribe for one (1) new share in the Company. The subscription price is EUR 0.04 or SEK 0.45. The maximum number of new shares to be issued in the Rights Issue is 100,183,105, which would provide the Company with

gross proceeds of approximately EUR 4.0 million or approximately SEK 45.1 million, excluding transaction related costs.

Directed Issue

The Directed Issue is directed to a limited number of institutional investors. The subscription period for the Directed Issue begins on 22 February 2023 and ends on 8 March 2023. The subscription price is EUR 0.04 or SEK 0.45. The maximum number of new shares to be issued in the Directed Issue is 25,000,000, which if fully subscribed would provide the Company with gross proceeds of approximately EUR 1.0 million or approximately SEK 11.3 million, excluding transaction related costs.

Read the terms and conditions of the issue before making an investment decision and making a subscription. The prospectus is available at

www.silver.fi/en/rightsissue-2023.

Subscription price

**EUR 0.04 or
SEK 0.45
per new share**

The Background and the Objectives of the Share Issues

The prevailing general economic and market situation has had an impact on Sotkamo Silver’s operations and profitability during 2022. The sharply increased prices of energy and consumables, the sharp decrease in metal prices during the second and third quarter of 2022, as well as the great uncertainty and volatility associated with energy and metal prices, have required measures to ensure the profitability of production and the continuity of operations. The Company therefore needs to strengthen its working capital to meet the variations. Secondly, the Share Issues are carried out in order to finance drilling in the silver mine to extend the LOM until 2030 and to improve the Company's cost efficiency.

Please Follow These Steps

In order to participate in the Rights Issue, a shareholder or other investor must issue a subscription order in accordance with the instructions provided by his own nominee/custodian (Sw. förvaltare) or account operator (Sw. kontoförande institut). Shareholders who's shares are directly registered with Euroclear Sweden shall either use the preprinted issue statement from Euroclear Sweden or submit a specific application form to Hagberg & Aneborn Fondkommission AB. Additional information and contact details can be found in the prospectus. Please note that if you do not exercise the subscription right before the end of the subscription period, the unused subscription rights will expire without value.

Important dates

16 February 2023	The Extraordinary General Meeting, which approved the Board of Directors' resolution regarding the Share Issues and other measures necessary for the implementation of the Share Issues
16 February 2023	Last day of trading in shares including right to receive subscription rights
17 February 2023	First day of trading in shares excluding right to receive subscription rights
17 February 2023	Publication of the prospectus
20 February 2023	The record date of the Rights Issue
22 February–2 March 2023	Subscription rights admitted to trading in Finland
22 February–3 March 2023	Subscription rights admitted to trading in Sweden
22 February–8 March 2023	Subscription period of the Share Issues
10 March 2023 (estimated)	Publication of the final results of the Share Issues

Sotkamo Silver's current shareholders

Please subscribe for new shares with the subscription rights no later than 8 March 2023 (unless the subscription period is extended).

Please sell the unused subscription rights on the stock exchange or buy additional subscription rights no later than on the last trading day of the subscription rights on 2 March 2023 in Finland or 3 March 2023 in Sweden (unless the subscription period is extended).

If you are not yet a shareholder of Sotkamo Silver

Please buy subscription rights on the stock exchange no later than on the last trading day of the subscription rights in Finland on 2 March 2023 or in Sweden on 3 March 2023 (unless the subscription period is extended) and subscribe for shares with them. Alternatively, you can apply for subscription of shares without subscription rights. For more information, contact your nominee/custodian or account operator. Swedish investors without a nominee can order an application form from Hagberg & Aneborn Fondkommission AB. More information and contact information can be found in the prospectus.

Example of subscribing to the shares

You own 10,000 shares of Sotkamo Silver. These will give you 10,000 subscription rights. They entitle to subscribe for 5,000 new shares.
 +
 You pay EUR 0.04 or SEK 0.45 for subscription of one share, i.e. a total of 200 euros or SEK 2,250.
 =
 After the Share Issue, you will own 15,000 shares.



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 ores are processed into concentrates, which are sold to the smelters in accordance with a supply agreement. The Company also has mining and ore prospecting rights for mineral deposits in the vicinity of the silver mine in Kainuu.

The Company's strength is the ability to reproduce mining know-how and operational activities in a sustainable and responsible manner in new projects. Sotkamo Silver cooperates with reliable partners in the value chain and is committed to operating responsibly.

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 and at Nasdaq Helsinki. Sotkamo Silver has approximately 20,000 shareholders, of which approximately 80% are from Finland.

Annual revenue 2022

34.9 MEUR*
(371 MSEK)

EBITDA 2022

5.0 MEUR*
(53 MSEK)

*EUR/SEK exchange rate 10.6317 (2022, year average). Source: Riksbank (Sweden).

A Word from the Chief Executive Officer

Sotkamo Silver has launched a Rights Issue and a Directed Issue to strengthen its working capital and finance a drilling programme aimed at extending the life of mine (LOM) to 2030. Through the Share Issues, we aim at gross proceeds of approximately EUR 5.0 million or approximately SEK 56.3 million excluding transaction related costs.

We launched a silver mine in Sotkamo in 2019. The silver mine is now working well and it produced approximately 1.2 Moz of silver in the past year. During the mine's operation, we have invested in the production process and its cost-effectiveness by significantly increasing the capacity of the concentration plant. Our staff is competent and committed, and our business is strongly imprinted by sustainability and a responsibility for local business.

The prevailing general economic and market situation has had an impact on Sotkamo Silver's operations and profitability during 2022. As the global economy and geopolitical problems have been piling up, metal prices fell in the second and third quarters of 2022, while energy and commodity prices have risen, putting pressure on the Company's profitability. We have already addressed these challenges on many fronts.

During the autumn, we conducted change negotiations in a good spirit of cooperation, as a result of which we are now able to adjust our production to fluctuations in electricity prices by running the concentration plant periodically if necessary. The work done during 2022 on drilling and deepening the tunnel will also enable excavation in new

areas where the average silver content is higher than at present. In addition, profitability is further improved by a separate cost-saving programme that we have launched to reduce direct operating costs.

We want to strengthen our working capital, extend the LOM to 2030 and improve the Company's cost-efficiency through the Share Issues.

We strongly believe in the future possibilities. Green transition technologies such as solar cells and electric vehicles require silver. The global demand for silver is expected to reach a new record and surpass its supply (Silver Institute 2022). Sotkamo Silver mines and enriches silver in Kainuu, Finland, respecting the local environment and the community. It is therefore worth while investing in the multi-purpose metal of the future mined in Finland.

Mikko Jalasto
Chief Executive Officer

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“We want to strengthen our working capital, extend the LOM to 2030 and improve the Company's cost-efficiency through the Share Issues.”



Strategy

“Discover, mine and create – metals and value”

Sustainability and Respect for Local Business are at the Heart of the Strategy

Operational sustainability, sustainable development, transparency, respect and reliability are crucial to Sotkamo Silver's sustainability strategy. By acting locally, Sotkamo Silver influences the well-being of its stakeholders (such as employees, neighbours, local community, and society) by, for example, supplying metals, creating jobs and creating value for shareholders.

Measures in Line with the Strategy to Improve Profitability and Cash Flow

The prevailing general economic and market situation changed drastically in the second half of 2022. The sharp fall in metal prices in the second and third quarters of 2022, as well as the rise in energy and consumer goods prices, have put pressure on the Company's profitability. The Company has reacted to fluctuations in the price of electricity by running the concentration plant periodically. The Company has also launched a separate cost-efficiency improvement programme, which involves direct operating cost savings. Some investments have also been postponed.

The work done during 2022 on drilling and deepening the tunnel will, in the view of the management, provide the Company with options to increase the metal content of the ore fed and to improve profitability from 2023 onwards. Measures in line with the strategy to improve profitability and cash flow will also be continued in the coming years.

The cornerstones of the strategy are:

Development of the silver mine and ensuring a solid foundation for the Company's expansion

Sustainable use of natural resources

Development of existing deposits to increase mineral resources

2022	2023	2024+
<ul style="list-style-type: none"> • Sotkamo Silver launched a programme that has enabled the Company to improve cost efficiency and cash flow. • Updated estimates of mineral resources and ore reserves indicate that the mine's operating time will continue until 2030. • The main cooperation agreements have been tendered and renewed. • Deepening the tunnel and additional programme for infill drilling. • Expanding the tailing pond more cost-effectively. • Increasing the concentration plant capacity. • Adjustment of production when electricity prices are higher in order to optimise cash flows. • Increased capacity in the silver mine's concentration plant. 	<ul style="list-style-type: none"> • The Company has signed an agreement on the sale of pyrite generated in the production process, with the benefits of utilising shunt and reducing processing costs. • The Share Issues to strengthen the financial position, to finance future investments and to secure the LOM until 2030. • Transition of quarrying to new mining levels (360–420 metres), which improves the average content of the ore fed as well as the turnover. • Continuation of the additional programme for infill drilling to support the cost-effective production of the mine in 2024–2025 and to enable extending the LOM. • The Company intends to improve the quality of its business through risk management and possible hedging agreements related to electricity prices, exchange rates and silver prices. 	<ul style="list-style-type: none"> • Continuation of the additional programme for infill drilling and deepening of the mine in accordance with the P700 project • The development of new ore prospecting sites both within geographical regions and in the area around the current silver mine. • Improved cost-effectiveness through changes made on basis of the new underground mining contract. • Possibly changing domicile to Finland. • Reach performance level A in accordance with the Finnish network for sustainable exploration as well as the first external auditing in accordance with the standards.

Why Should I Invest in Sotkamo Silver?

1.

A Strong Demand for Silver on the Market due to the Green Transition

The metals produced in the silver mine make it possible to use green, renewable energy, such as wind and solar power. Silver cannot be replaced in many applications, and it plays a key role in the industry, in the continuous electrification of modern society and in many key renewable energy solutions.

2.

Continuous Production and a Delivery Contract for Concentrates

The cash-flow producing mining operations at the Sotkamo silver mine are in a stable production phase. The investments made in the production process and its cost efficiency also enable mining in new areas. All metal concentrates produced at the silver mine have been agreed to be delivered to smelters in Sweden and Finland.

3.

Plans to Extend the Life of the Silver Mine

Sotkamo Silver aims to extend the life of the silver mine to 2030 with an additional programme for infill drilling and a development programme in accordance with Project P700, which includes drilling, excavation in the silver mine, and infrastructure construction. Sotkamo Silver also aims to extend the Life of Mine (LOM) further to 2035 with separate exploration drilling.

4.

The Ore Prospecting Programme, Promising Mineral Resources and Strong Expertise are Creating a Future Growth Path

Sotkamo Silver also develops and searches for future growth paths in accordance with its strategy. Project REX is a local ore prospecting programme to develop an attractive mineral resource portfolio and to find new exploitable mineral resources in the Finnish Kainuu region. Strong mining know-how and operational activity make it possible to reproduce mining operational activities in new projects.

5.

Commitment to Sustainable Development

Sotkamo Silver is committed to sustainable development, it has the support and approval of the local community and it cooperates with stakeholders in environmental matters.

1. A Strong Demand for Silver on the Market due to the Green Transition

Silver Makes It Possible to Use Green, Renewable Energy, Such as Wind and Solar Power

Silver plays a key role in the industry, in the continuous electrification of modern society and in many key renewable energy solutions. Silver has the best thermal conductivity of all metals, and its ability to conduct heat and electricity makes it a versatile material for the needs of the metal industry*.

The demand for silver is projected to reach a record 1.21 billion oz in 2022*. Most of the world's silver supply (80%), comes from mines, and the remaining 20% is mainly derived from recycling. The industry is responsible for more than half of global silver demand, but silver is also used in the jewellery industry, in cutlery, in coins and as an investment.

Electric Vehicles and Renewable Energy

- Silver and gold in semiconductors, sensors, cable harnesses, controllers, displays, etc.
- Silver carbonate anodes in solid electrolyte lithium batteries
- Concentrating solar power plants, wind turbines and new battery technologies

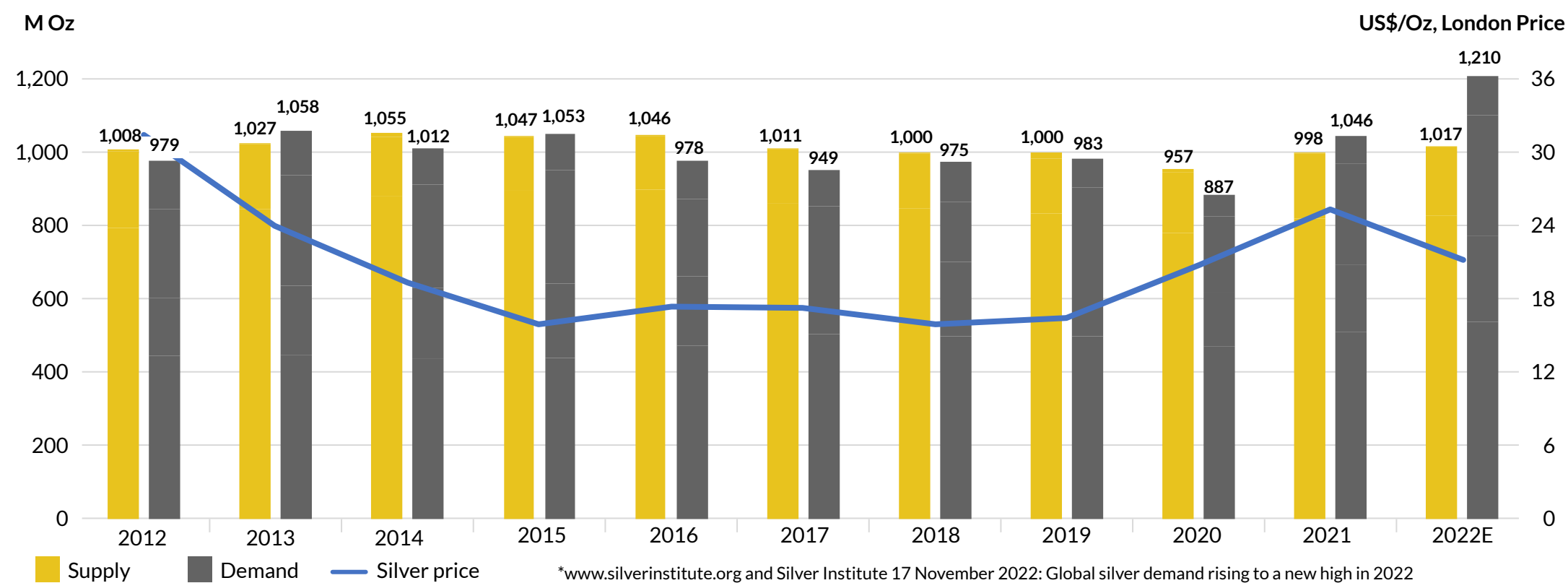
Solar Cells and Renewable Energy

Silver plays a key role in the production of solar cells to be used as a source of green electricity

Smartphones and Other Devices

Silver nanowires replace indium tin oxide in touchscreens

Silver demand has outstripped supply*



2. Continuous Production and a Delivery Contract for Concentrates

The cash-flow producing mining operations at the Finnish Sotkamo silver mine were launched in 2019 and ramped up to a stable level in 2020. During the mine's operation, Sotkamo Silver has further invested in the production process and its cost-effectiveness by increasing the capacity of the concentration plant by 10–20%. The investments made on drilling and deepening the tunnel will also enable excavation in new areas where the average silver content is higher than in 2022.

Sotkamo Silver has approximately 50 personnel in planning and supervising the mining operations, the actual mining operations are carried out by a subcontractor with approximately 70 personnel. The majority of personnel and other production costs are variable.

Of the metals produced in the silver mine, zinc and lead, in addition to silver, are vital in many key areas. Zinc is used in rust protection, electroplating, alkaline batteries and various metal alloys. Lead is still widely used in conventional batteries, radiation shielding and stainless materials.

All high quality concentrates produced at the silver mine have been agreed to be delivered for further refining to smelters in Sweden and Finland, and the Company needs no special sales efforts in terms of production.

The silver mine produced approximately 1.2 Moz of silver in 2022. Sotkamo Silver is prepared for the expected higher electricity prices during the 2022–2023 winter season by adjusting the concentration plant's production by the time of day if necessary.

Metal production

2021	2022
1.38 Moz of silver	1.17 Moz of silver
3,400 oz of gold	3,290 oz of gold
1,490 tonnes of lead	1,540 tonnes of lead
3,370 tonnes of zinc	3,340 tonnes of zinc



3. Plans to Extend the Life of the Silver Mine

Extending the Life of The Silver Mine

Sotkamo Silver aims to extend the life of the silver mine to 2030 with an additional programme for infill drilling and a development programme in accordance with Project P700, which includes drilling, excavation in the silver mine, and infrastructure construction. Sotkamo Silver also aims to extend the life of mine (LOM) further to 2035 with separate exploration drilling.

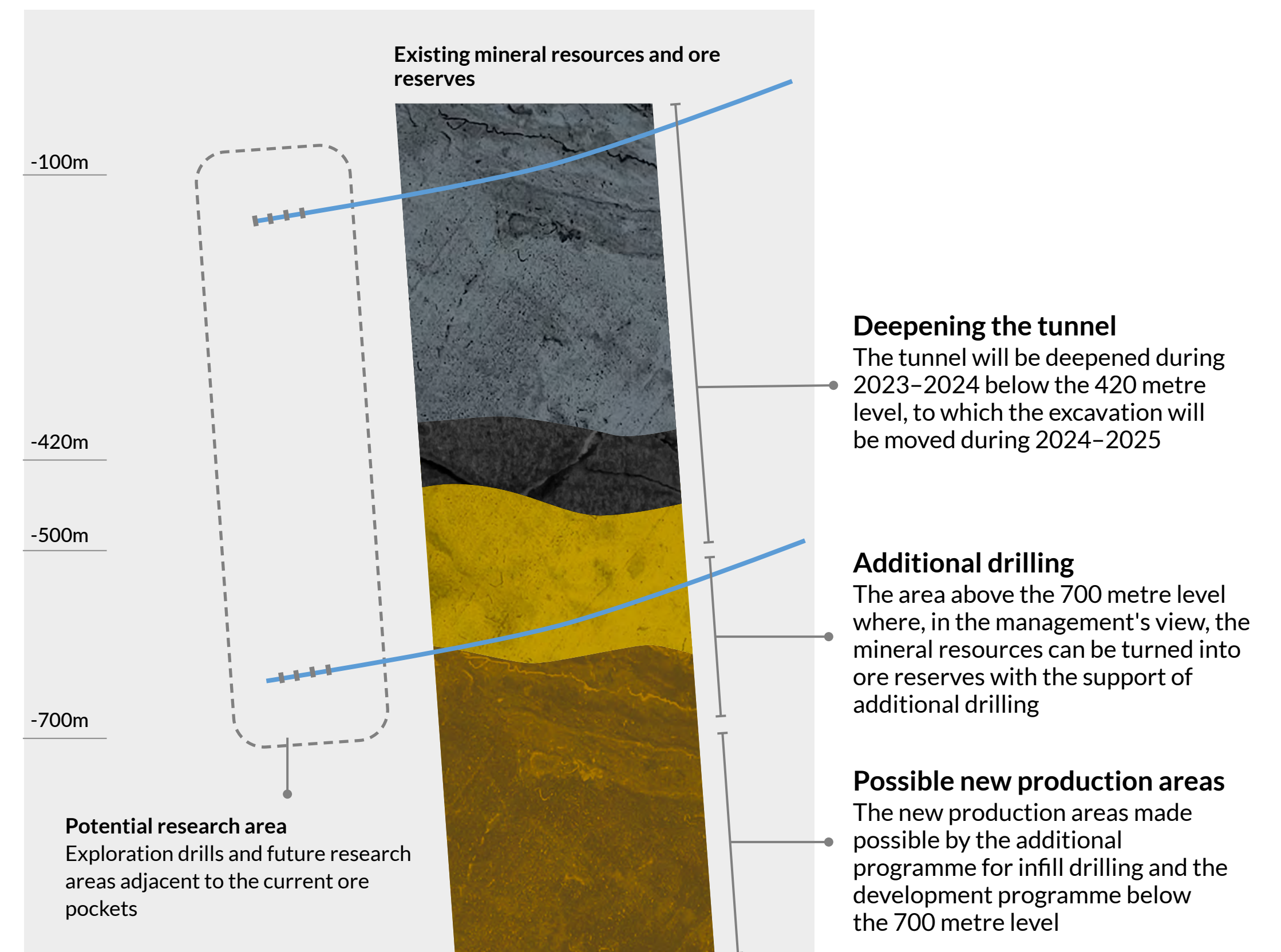
The current life of the silver mine is based on mineral resources and ore reserves reaching a depth of approximately 700 metres. Updated estimates of mineral resources and ore reserves, as well as the results of the first drilling phase of the project, support the further development of the mine and extending its life.

Sotkamo Silver reported in December 2022 on drilling results from the drilling programmes. They confirmed the Company's view that during 2023 the metal content in the quarry is expected to return to the levels of the mine's early years. According to the Company, the results of the underground drilling were encouraging both above the 420-level, where an oblique tunnel has already been extended in 2022, and below it, where the excavation will be moved in 2024–2025.

The results of the surface drilling at depths of 500–700 metres support the Company's previous understanding of mineralisation continuing deeper. The drilling will be guided by the result in the areas in question in the subsequent years. Extension drilling can be used to clarify the mine's ore reserves and to enable their extraction in a cost-effective manner.

The drilling has also revealed a particularly interesting area for further research reaching a depth of 700 metres adjacent to the existing ore pockets. Together with the areas below 700 metres, they create potential for increasing ore reserves and continuing production from 2030 onwards.

The Silver Mine



4. The Ore Prospecting Programme, Promising Mineral Resources and Strong Expertise are Creating a Future Growth Path

Local Ore Prospecting Programme and Development

In addition to the development projects of the silver mine, Sotkamo Silver also develops and searches for future growth paths in accordance with its strategy. Project REX is a local ore prospecting programme to develop an attractive mineral resource portfolio and to find new exploitable ore resources in the Finnish Kainuu region.

In the subsequent years, Sotkamo Silver will focus on the development of the current mine and the sites in its immediate vicinity. There are several indications of possible ore deposits in the Company's current main area of operations, the Tipasjärvi greenstone belt regional exploration in Sotkamo, and the geological nature of the area is highly similar to that of the silver mine. Deposits have also been found in the northern part of the greenstone belt in Kuhmo, Finland, and more extensively studied key projects include Hietaharju and Peura-Aho in the Suomussalmi area. The Suomussalmi area in Finland is a particularly promising project, and Sotkamo Silver has already acquired the mining rights to Suomussalmi's reserves.

The Strength of the Operational Activities

Sotkamo Silver's strength lies in its expertise in mining and operational activities. Together with an organisation competent in enrichment operations, the Company has been able to increase the capacity of the enrichment plant and improve its utilisation rate to an excellent level, which also improves the Company's cost efficiency. Once the success of the organisation and the mill have been consolidated, the operations of the entire mining operations can be reproduced in a sustainable and responsible manner in new projects.

Existing mineral resources and ore reserves



5. Commitment to Sustainable Development

Social Licence and Responsibility

Sotkamo Silver enjoys the support and approval of the local community and it cooperates closely with its various stakeholders in environmental matters (see also the section “Miljöansvar” in the prospectus). The Company has committed to comply with the sustainability standards that have been issued by the Finnish network for sustainable mining, the implementation of quality, environmental and occupational health and safety systems, and the continuous improvement of processes that increase materials efficiency.

Committed to Sustainable Development

Sustainability and respect for local business are at the core of Sotkamo Silver's strategy. The Company operates responsibly and takes the environment, the stakeholders in the business area and the safety of its employees into account. The Company is a reliable and responsible part-

ner with regard to environmental impact assessment (Sw. miljökonsekvensbedömning) and in related licensing processes.

Sotkamo Silver is currently implementing an energy efficiency project with key partners to reduce its overall energy consumption per oz of silver produced. The Company also aims to increase the share of renewable energy, to reduce its carbon dioxide emissions and to promote recycling and the principles of circular economy in its operations. Sotkamo Silver is committed to the rehabilitation of its mining areas, including reforestation and restoration.



Targets and Key Figures

On 14 February 2023, Sotkamo Silver published guidance for 2023 and defined medium-term operational and financial targets to support the implementation of the strategy.

Medium-term Targets

The Company's Board of Directors has decided on the following medium-term targets until 2025 to support the implementation of the strategy:

Annual silver production:
> 1.5 Moz.

Annual operating margin:
> 30%

Net debt to operating margin ratio:
< 2.0

Extending Life of Mine (LOM) by five years until 2035

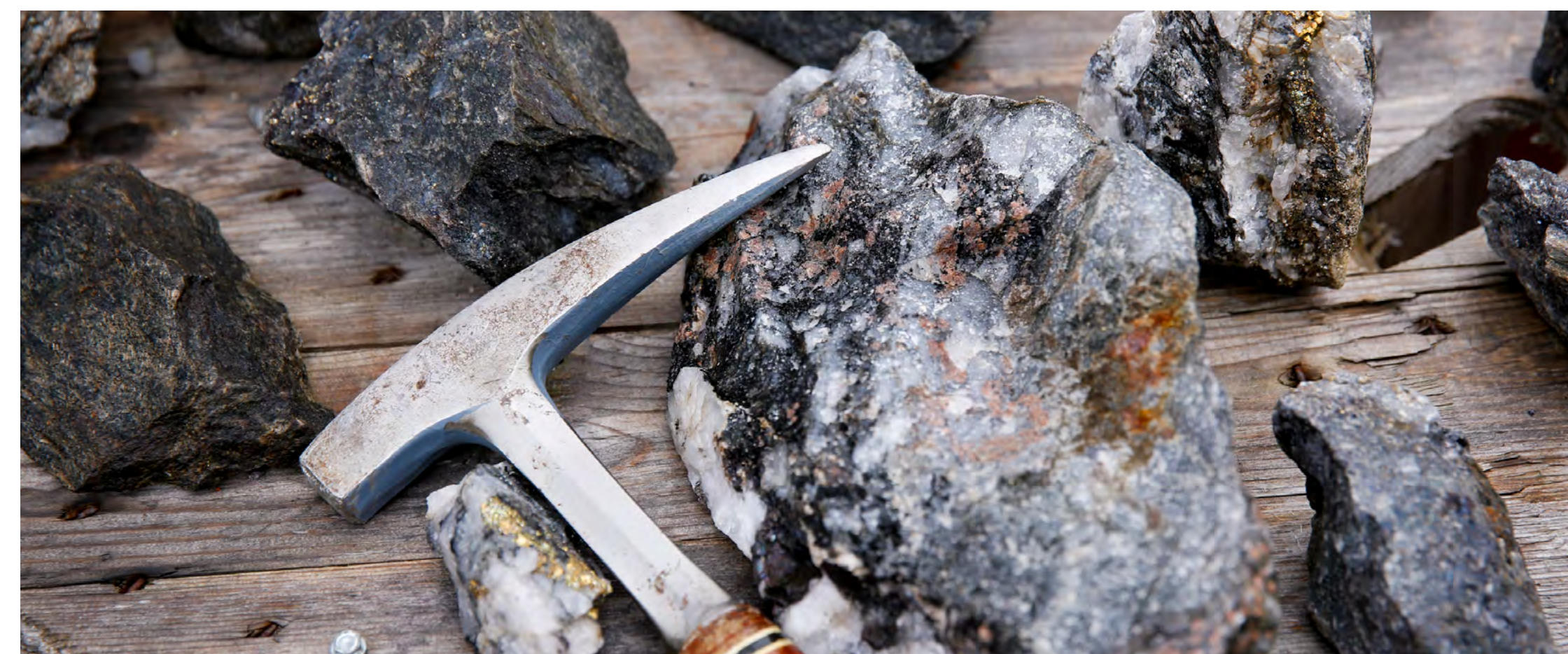
Performance rating A verified in all Kaivosvastuu (www.kaivosvastuu.fi) protocols by an external auditor in 2024

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 and medium-term targets requires above mentioned external factors to remain at the level forecasted by the market in mid-February 2023. Further, achieving the guidance requires strengthening the working capital through Share Issues and other financing arrangements during Q1 2023. Achieving the objective of extending the LOM requires sufficient financial resources to implement the drilling programme.

Guidance for 2023

The Company expects to produce 1.4–1.5 Moz of silver in 2023. However, the Company's primary target is to maximise 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 oz. The Company further expects the annual EBITDA to be at least 28% and net debt-to-EBITDA to be below 2.5 at year-end.

Key figures MSEK (group)	2022 (not audited)	2021 (audited)	2020 (audited)
Turnover	371	387	366
EBITDA	53	92	73
Operating profit	-34	7	-10
Result of the financial period	-28	-18	-47
The balance sheet total	643	664	658
Equity ratio (%)	38	38	32



Risks

The risk descriptions presented here are a summary of the risk factors and are based on the information and estimates that are available at the release date of Sotkamo Silver AB's Swedish-language prospectus. Those considering participation in the Rights Issue and/or the Share Issues should carefully examine the risk factors described in the prospectus as a whole. The prospectus is available at www.silver.fi/en/rightsissue-2023.

Risks related to Metal Prices, Commodity Prices and Commodity Price Volatility

The Company's financial result is directly dependent on the prevailing metal prices. The price of silver varies widely and is influenced by a number of factors beyond the Company's control. These factors include global silver production from mines, inflation expectations, exchange rates between SEK, USD and EUR, electricity and energy prices, global and local silver demand, and political and economic conditions. A prolonged and steep decline in metal prices may cause losses to the Company and require restrictions or interruptions in the Company's ore prospecting and development activities. If the risks materialise, it is estimated that this will have a major impact on Sotkamo Silver. The likelihood of the risks materialising is high.

Risks related to Electricity and Energy Prices

The Company uses a significant amount of electricity and energy in its operational activities. The price of electricity varies widely and is influenced by a number of factors beyond the Company's control. Potentially high fuel prices, dry and windless weather, high electricity prices in Central Europe and uncertainty related to the commencing operation of the Olkiluoto 3 nuclear power plant may have a significant impact on the Company's financial results, for example if the Company adjusts its production volumes in order to optimise its cash flows. A prolonged and steep rise in the price of electricity may cause losses to the Company. If the risks materialise, it is estimated that this will have a major impact on Sotkamo Silver. The likelihood of the risks materialising is medium high.

Risks related to Mineral Resources and Ore Reserves

The Company continuously carries out assessments related to mineral resources and ore reserves, which are mainly based on extensive test drilling, statistical analyses and modelling. These estimates are uncertain in nature. There is a risk that the production will be lower than expected if the silver content is lower than expected. In addition, there is a risk that the mineral resources and ore reserves will not match the expected tonnage and the estimated levels or that the targeted silver yield will not be reached. Changes in the estimates of mineral resource and ore reserves will have an impact on the Company's financial performance and position. If the risks materialise, it is estimated that this will have a major impact on Sotkamo Silver. The likelihood of the risks materialising is medium high.

Risks related to Production Disruptions

Possible various disruptions affecting the Company or its subcontractors may have a negative impact on the Company's production. In times of high electricity prices, the Company may have to temporarily suspend production in order to optimise cash flows, which may affect the Company's production. The Company's production rate at the silver mine may also be lower than estimated as a result of accidents, such as soil slides, rock slides or flooding. The production may also be reduced or cost targets may not be achieved if the Company encounters unfavourable rock mechanical conditions in its mining operations or if there are faults in the machinery and equipment used for mining. If the risks materialise, it is estimated that this will have a medium impact on Sotkamo Silver. The likelihood of the risks materialising is high.

Risks related to Russia's Military Attack on Ukraine

Russia's ongoing military attack on Ukraine has had a negative impact on the world economy. The sanctions implemented against Russia may have an impact on the price and value of the mineral resources and ore reserves held and excavated by the Company. Instability and the emergence of new geopolitical problems may disrupt the Company's production and deliveries, which may have an impact on the Company's raw material and transport costs. In addition, the ongoing attack on Ukraine has led to higher oil, gas and electricity prices, which may lead to increased cost levels from the Company's perspective. The geopolitical situation has increased uncertainty and volatility in the financial markets and may thus affect the Company's ability to find financing for new investments and expansions. If

the risks materialise, it is estimated that this will have a major impact on Sotkamo Silver. The likelihood of the risks materialising is medium high.

Risks related to Legislation and Official Regulations

The Company's operations are subject to a wide range of legislation and regulations. Compliance with these regulations increases the costs of, for example, planning, drilling, extraction, ore processing deposition and rehabilitation after closure. The current regulations may also change. The Finnish Mining Act is proposed to be revised by, for example, tightening the conditions for extending the term of validity of the ore prospecting permits. A new tax on extracted mining minerals has also been proposed. Amendments to the law may increase the requirements and costs of Sotkamo Silver's operations. If the risks materialise, it is estimated that this will have a medium impact on Sotkamo Silver. The likelihood of the risks materialising is high.

Risks related to Rock Mechanics in Mining and in the Exploitation of Mineral Deposits

The Company's production in various production facilities depends on rock mechanics that are outside the Company's control. If the concentration of ore entering the enrichment plant is lower than estimated, the production of concentrate will decrease and the mining and enrichment costs per unit of metal produced will be higher, which will reduce the profit margin. If the risks materialise, it is estimated that this will have a medium impact on Sotkamo Silver. The likelihood of the risks materialising is medium high.

Risks related to Financing, Insufficient Working Capital and Investment Needs

The Company has debt financing and may need to renew its loans or enter into new loan agreements in the future in order to finance its business and new projects. There is a risk that new capital cannot be raised when there is a need for it, that it cannot be raised on favourable terms, or that the capital raised will not be sufficient to finance the operations.

In the light of the sharp drop in metal prices in the second and third quarters of 2022 and rising energy costs, the Company estimates that its current working capital will not be sufficient to cover the Company's needs for the next 12 months. The planned Share Issues will be carried out to cover the working capital needs of the Company and to finance the necessary infill drilling of the mine. If a sufficient number of shares is not subscribed in the Rights Issue or the Directed Issue, the Share Issues will nevertheless be carried out and there is a risk that the Company will not receive sufficient working capital to conduct business after the Share Issues.

Sotkamo Silver is at a stage where priority has been given to the production and development of the operations of the silver mine. Sotkamo Silver has made a number of investments to expand its operations and to strengthen its cash liquidity. In the future, the Company may also need to turn to the capital markets, apply for grants or obtain new loan financing. There is a risk that new capital cannot be raised when there is a need for it, that it cannot be raised on favourable terms, or that the capital raised will not be

sufficient to finance the operations as planned. If the risks materialise, it is estimated that this will have a major impact on Sotkamo Silver. The likelihood of the risks materialising is medium high.

Long-term conditions have been set for the debt financing of Sotkamo Silver Oy, and the Company and Sotkamo Silver Oy have provided collaterals that can be realised if the conditions are not met

The Company's subsidiary has entered into a loan agreement regarding a facility of EUR 14,600,000, with the purpose to refinance part of the subsidiary's financial instruments. Sotkamo Silver Oy has committed to fulfilling certain financial covenants in the loan agreement. There is a risk that the loan amount set in the loan agreement will be fully or partially due for immediate payment if Sotkamo Silver Oy does not meet the covenants. The lenders have previously issued a so-called waiver, which enables deviation from the covenant regarding the ratio of the Company's net debt in relation to the EBITDA as of 31 December 2022.

The loan collateral includes the pledge of intra-group loans, the shares in Sotkamo Silver Oy, the mining rights and the business mortgages. In the event that Sotkamo Silver Oy is unable to meet its commitments and obligations, the lenders may therefore have the right to claim the relevant securities in accordance with the terms of the separately agreed security agreements. The possible realisation of the collateral may be extensive and it may mean that the operations and assets of the Company and Sotkamo Silver Oy will be transferred, in full or in part,



from the Company and Sotkamo Silver Oy. If the risks materialise, it is estimated that this will have a major impact on Sotkamo Silver. The likelihood of the risks materialising is medium high.

Exchange Rate Changes

The Company's revenue consist mainly of sales of silver, the pricing of which is based in USD. However, a large part of the Company's operating expenses and investments are in EUR. Sotkamo Silver's financial results and cash flow are thus significantly affected by changes in the USD/EUR

exchange rate ratio. The reporting currency of the parent company is in SEK, but the reporting currency of the subsidiary is in EUR, which means that its revenues, expenses and balance sheet items are mainly reported in EUR. This means that Sotkamo Silver is exposed to exchange rate fluctuations regarding EUR in relation to SEK when preparing the consolidated financial statements. If the risks materialise, it is estimated that this will have a medium impact on Sotkamo Silver. The likelihood of the risks materialising is medium high.

Questions and Answers

Why is Sotkamo Silver Arranging a Rights Issue?

Sotkamo Silver AB is arranging a Rights Issue and a Directed Issue in order to strengthen the financial position of the Company. The prevailing general economic and market situation has had an impact on Sotkamo Silver's operations and profitability during 2022. The sharply increased prices of energy and consumables, the decrease in metal prices during the second and third quarter of 2022, as well as the great uncertainty and volatility associated with energy and metal prices, have required measures to ensure the profitability of production and the continuity of operations. The Company therefore needs to strengthen its working capital to meet the variations. Secondly, the Share Issues are carried out in order to finance infill drilling in the silver mine to extend the LOM until 2030 and to improve the Company's cost efficiency.

What Will the Raised Funds be Used for?

The Share Issues consist of a Rights Issue of approximately EUR 4.0 million or approximately SEK 45.1 million and a Directed Issue of approximately EUR 1.0 million or approximately SEK 11.3 million, which would provide the Company with gross proceeds of approximately EUR 5.0 million or approximately SEK 56.3 million excluding transaction related costs upon full subscription. The funds to be raised from the Share Issues are intended to strengthen the working capital and to finance additional drilling in order to extend the life of the silver mine until 2030 and to improve the Company's cost efficiency.

Who May Participate in the Rights Issue or the Directed Issue?

The subscription rights shall be allocated to the shareholders in proportion to the shares held on the record date. The record date of the Rights Issue is 20 February 2023. The Directed Issue is directed to a limited number of institutional investors.

How Many Shares Can Be Subscribed?

A shareholder who is registered on the record date shall receive one (1) subscription right for each share held on the record date. Two (2) subscription rights entitle the holder to subscribe for one (1) new share in the Company.

What Is the Subscription Price of the Share?

The subscription price of the share is EUR 0.04 or SEK 0.45. For example, with 10,000 subscription rights, you can subscribe for 5,000 shares. In this case, the amount to be paid is EUR 200 or SEK 2,250.

What Is the Price of the Subscription Right?

The price of the subscription right is determined by the market situation at NGM Main Regulated in Stockholm or at Nasdaq in Helsinki. However, there is no guarantee that there will be an aftermarket for the subscription rights or that they will therefore have a value.

How Can the Subscription Rights be Purchased?

If you want to buy subscription rights, please contact your nominee/custodian or account operator. Swedish investors without a nominee/custodian can order an application form from Hagberg & Aneborn Fondkommission AB. More information and contact information can be found in the prospectus. The subscription rights are traded at NGM Main Regulated in Stockholm and at Nasdaq Helsinki. Nominees/custodians and account operators may charge a fee according to their service price list for trading with subscription rights.

Are There Any Costs Associated with Subscribing Shares?

No separate costs or fees are charged for share subscription. Nominees/custodians and account operators may charge fees for their services, such as for trading in subscription rights, in accordance with their own price lists.

How Does the Subscription of Shares with Subscription Rights Take Place?

In order to participate in the Rights Issue, a shareholder or other investor must issue a subscription order in accordance with the instructions provided by his own nominee/custodian or account operator. If for some reason you have not received instructions, please contact your nominee/custodian or account operator.

What Will Happen If I Don't Use My Subscription Rights?

Unused subscription rights will expire without value at the end of the subscription period on 8 March 2023 (unless

the subscription period is extended) and they will be removed from the holders' book-entry accounts or securities account without separate notification or compensation.

Can the Subscription Be Revoked?

The subscription is binding and cannot be changed or revoked.

When Does the Trading of New Shares Start?

Trading in the temporary shares will commence at NGM Main Regulated in Stockholm on 22 February 2023 and at Nasdaq Helsinki on 13 March 2023 (unless the subscription period is extended).

Where Can I Find Further Information?

The prospectus and further information can be found on Sotkamo Silver's website at www.silver.fi/en/rightsissue-2023 as well as from your own nominee/custodian or account operator.



www.silver.fi/en/rightsissue-2023