



SOTKAMO SILVER AB
YEAR-END REPORT 2022

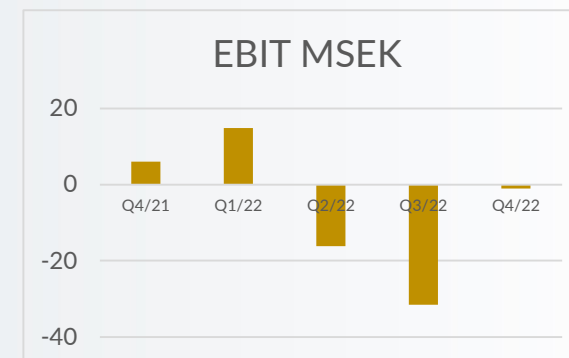
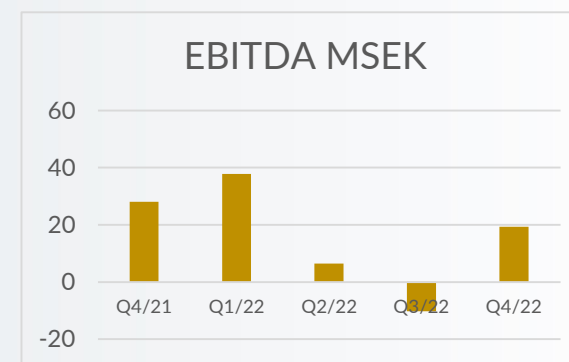
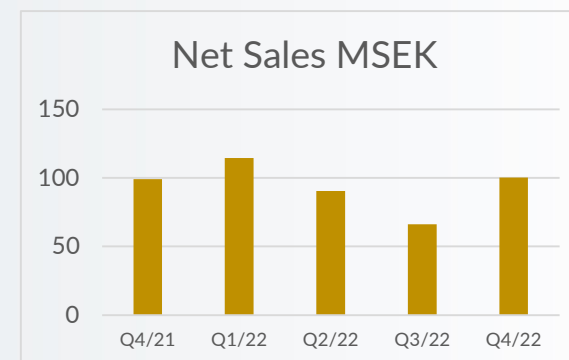
HIGHLIGHTS OF THE FOURTH QUARTER 2022

- Net sales was 100 MSEK compared to the previous year 99 MSEK. The rapid rise in metal prices in Q4 had a positive impact on net sales
- EBITDA was 19 MSEK (28)
- EBIT was -1 MSEK (6)
- Cash and cash equivalents were 1 MSEK (37). The Company has a credit limit of EUR 1.5 million. The Company initiated the process and negotiations to obtain additional funding
- Investments were 11 MSEK (25)
- The production was about 294 000 (341 000) ounces of silver, 829 (869) ounces of gold, 401 (466) tonnes of lead, and 874 (1 049) tonnes of zinc in concentrates
- LTIFR was 4 (23), which remained on the best level since the start of the production

HIGHLIGHTS OF THE FULL-YEAR 2022

- Net sales was 371 MSEK (387)
- EBITDA was 53 MSEK (92). EBITDA developed in Q4 positively compared to the previous two quarters, driven by increased production volumes, good metal price development and increased cost efficiency
- EBIT was -34 MSEK (7)
- EBIT was on a good level during Q1 2022 but decreased during the following quarters due to declined metal prices, the very high cost of energy, and the increased price of consumables. The cost of electricity almost doubled year 2022 compared to the previous year
- Investments were 61 MSEK (48)
- The production was about 1 169 000 (1 374 000) ounces of silver, 3 285 (3 403) ounces of gold, 1 535 (1 494) tonnes of lead, and 3 335 (3 373) tonnes of zinc in concentrates
- Operative cash flow was 13 MSEK (36)

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



CEO WORD

Net sales and profitability improved during Q4 as metal prices and production volumes increased. The Company was able to cope with fluctuating electricity prices without significant production disturbances.

The cost control measures that were initiated during the autumn had a positive impact on the Company's operative costs. Among several other measures, we implemented new practices to optimize electricity consumption and cost. These new practices will bring us benefits not only in the current situation but in long term as well.

Moving the mining operations to new levels below 360m level has been progressing as planned and we saw improvement in average silver grade since November. The silver grade is expected gradually to improve as we move the mining operations to new levels. During Q2 this year the mining will be primarily shifted to the new levels and silver grade is expected to rise to the 90-110 g/t range which will increase production volumes and improve profitability.

The situation with cash and cash equivalents remains challenging. Improving the working capital situation is our primary short-term focus. The announced share issues and

possible other financing arrangements are expected to be finalized by the end of Q1 2023. Improved metal prices, lowering electricity prices and improving metal grades are expected to improve profitability as the year progress.

The drilling results published in December give us confidence for increasing the silver production in 2023 and potentially extending the Life of Mine in coming years. The drilling results are further used to plan the next infill drilling campaigns. Infill drilling will ensure proper planning and cost-efficient execution of mining activities as well target to upgrading existing mineral resources to ore reserves.

The past months have been challenging for the Company and I want to thank the whole organization for their dedication to the issues at hand. Focus on cost control and efficiency has been shared on all levels of the organization and work for 2023 preparations has been progressing well. Among other things, preparing for mining contractor change, starting a new infill drilling campaign, implementing new ways to optimize electricity costs, and finalizing the tailings pond raise have been the results of hard work from the whole team.



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.

In the last quarter Net sales was 100 MSEK compared to the previous year's 99 MSEK. The rapid rise in metal prices in Q4 had a positive impact on net sales. Milled ore totaled 154 000 (182 000) tonnes including the marginal ore.

In 2022 EBITDA was 53 MSEK (92). EBITDA developed in Q4 positively compared to the previous two quarters, driven by increased production volumes, good metal price development, and increased cost efficiency.

EBIT was on a good level during Q1 2022 but decreased during the following quarters due to declined metal prices, the very high cost of energy, and the increased price of consumables. The cost of electricity almost doubled year 2022 compared to the previous year.

Other income of 7 MSEK (1) included sales of fixed assets 1 MSEK and 6 MSEK estimated unrealized final sales price adjustment due to the price difference between provisional and final invoices for the period. Net sales included -0,5 MSEK estimated final metal content adjustment due to the 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 11 MSEK (25) in Q4. Environmental investments included tailings pond dam raise amounting to 2 MSEK. The P700 project's infill drilling continued in Q4 and the costs were included in the investments of the period.

The Company has implemented a directed issue of convertibles of an aggregate nominal amount of up to MEUR 6,4. The convertible contains two components: a conversion option component that will be recognised at fair value using the Black-Scholes model through a profit and loss account and a liability component that will be recognised at amortised 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 December 31, 2022, the fair value of the convertible option component was 2 MSEK and the fair value of the liability component was 39 MSEK. The fair value changes recognised through Profit and Loss account: conversion option liability 1 MSEK, and liability component 3 MSEK.

The Company received waivers from senior loan and credit facility creditors which allows for deviation from the loan terms regarding the covenant relating to the Company's net debt in relation to EBITDA.

Key figures, group	Q4 2022	Q4 2021	FY 2022	FY 2021
Net sales MSEK	100	99	371	387
EBITDA MSEK	19	28	53	92
EBIT MSEK	-1,1	6	-34	7
Equity ratio (%)	38	38	38	38
Cash liquidity (%)	46	27	46	27
Personnel at end of the period	44	49	44	49
Mill feed (kt)	154	182	635	624
Average silver grade g/tonne	72	71	69	79

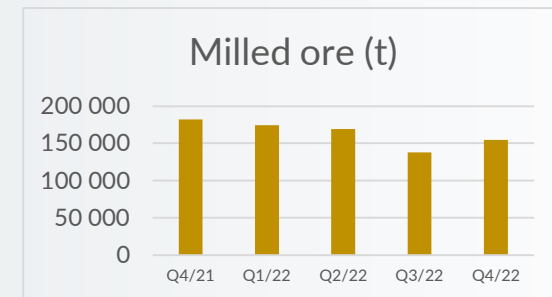
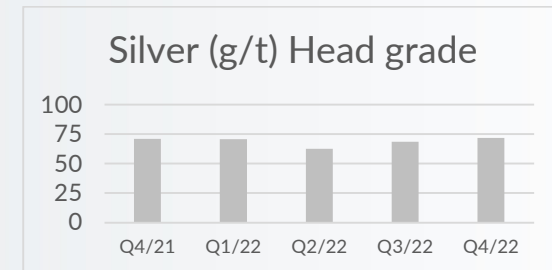
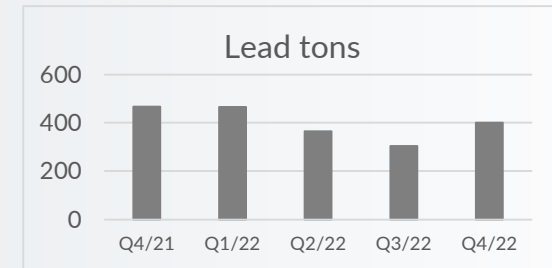
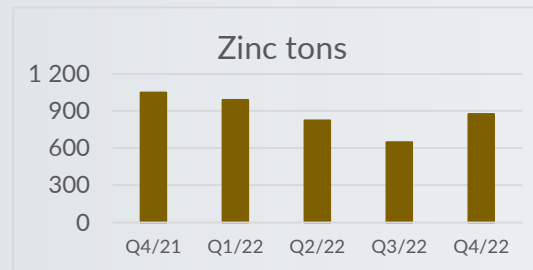
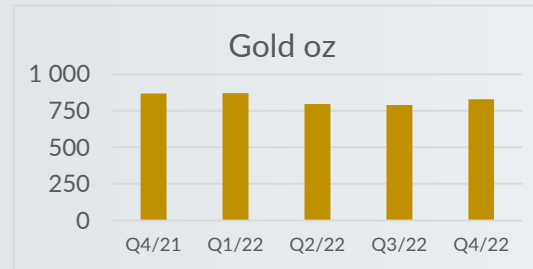
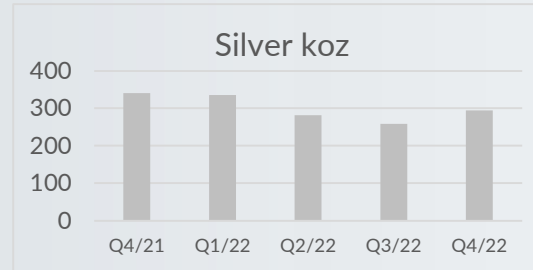
PRODUCTION AND GUIDANCE

In the fourth quarter, we milled 154 000 (182 000) tonnes of ore and produced about 294 000 (341 000) ounces of silver, 829 (869) ounces gold, 401 (466) tonnes lead, and 874 (1049) tonnes zinc in concentrates.

The silver head grade improved from Q3, November and December having the highest grades of 2022 with 77 g/t. Milled volume was on planned level, even concentration plant was shut down on several short periods due to high electricity price. This was possible through the earlier increased capacity of the concentration plant. Other metals were in line with the increased silver production.

During the last quarter we mined in the underground mine and the open pit was not operated. Mining was progressing to lower levels and first stopes were mined between 360- and 420-levels. This had the expected positive impact to the ore silver grade. Company expects the silver grades to improve further as the mining of the new levels progresses. From Q2 2023 onwards the mining will primary focus on the new

levels and silver grade is expected to return to the longer term average of 90-110 g/t.



Guidance for 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 operative 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.

Further Company expects annual EBITDA to be at least 28 % and net debt-to-EBITDA to be below 2.5 at year-end.

Medium-term Targets

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

- Annual silver production > 1.5 Moz
- Annual EBITDA > 30 %
- Net Debt- to-EBITDA < 2.0
- Extending Life of Mine by five years until 2035
- Performance rating A verified in all Kaivosvastuu (<https://www.kaivosvastuu.fi/>) protocols by the 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 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 program.



PROJECTS

Preparations for mining contractor change were taking place during autumn 2022. Together with contractor Veljekset Toivanen Oy all aspects of the operations were planned and processes agreed upon between the parties. The new contractor started on 1.1.2023. After the initial ramp-up period, the focus will turn to jointly identified methods to improve the efficiency of the mining.

The technical nitrogen removal project the testing phase was finalized, and the final verification and on-site pilot will be conducted during Q1 2023. The chosen solution will provide the needed capacity for nitrogen removal and together with other nitrogen-minimizing methods ensures the nitrogen level as per our existing environmental permit.

The results from 2022 drilling program was finalized and communicated in December. The results give us confidence for increasing the silver production in 2023 and potentially extending the Life of Mine in coming years.

The new infill drilling program commenced in December and will consist of 6000m underground drilling to ensure the planning and cost-efficient mining operations for the next year's operations.

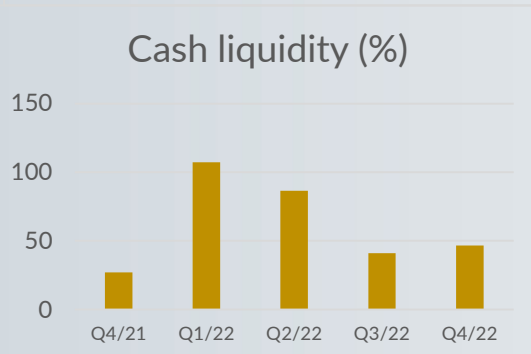
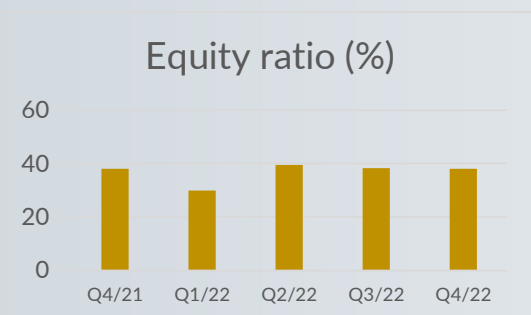
Drilling is targeted to existing mineralization on 400 to 600-meter levels.

As a part of the REX, regional exploration, all collected soil samples were analysed and results concluded for planning future prospecting activities. Decisions and schedule of prospecting activities will be done in 2023.



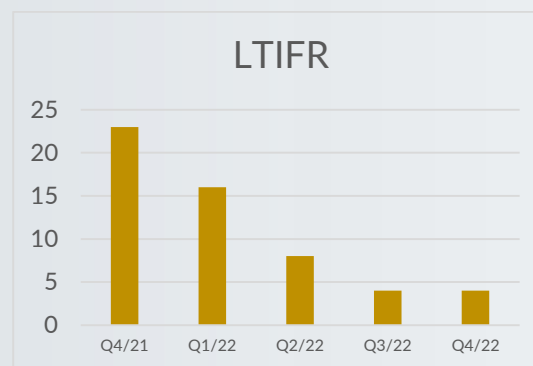
FINANCIAL POSITION

- The Group's cash and cash equivalents were 1 MSEK (37) The Company has a credit limit of EUR 1.5 million.
- The Group equity ratio was 38 % (38)
- The Group equity was 244 MSEK (249) which corresponds to 1.22 SEK (1.24) a share non-diluted, and 1.03 SEK (1.18) diluted
- The Company initiated the process and negotiations to obtain additional funding



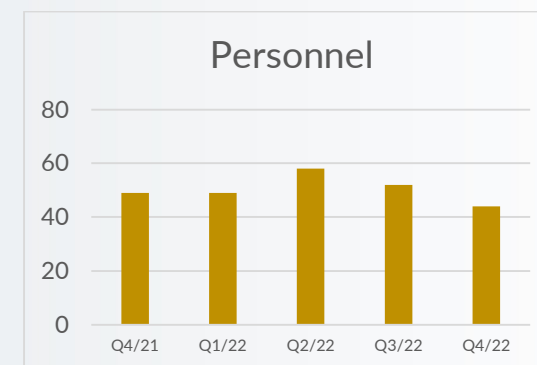
SAFETY AND ENVIRONMENT

The lost time injury frequency rate (LTIFR) meaning the number of lost time injuries for million working hours was 4 (23) at the end of 2022 including all Silver Mine regular contractors. LTIFR of 4 corresponds to one Lost Time Injuries (LTI) within 12 months period which is the best since the start of the production. The company has continued a safety development program to reinforce and encourage a 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 the mine had worked 288 days without LTI.



PERSONNEL

The Company had 44 (49) own employees and 95 (98) contracted employees who worked in the mine and laboratory at the end of 2022.



EVENTS AFTER THE REPORTING PERIOD

On January 1, 2023, Veljekset Toivanen Oy started as a mining contractor.

The Board of Directors of Sotkamo Silver AB resolved on January 17, 2023, a share issue with preferential rights for existing shareholders as well as a directed share issue

of in aggregate a maximum of approximately 5 MEUR in order to strengthen the Company's financial position. The share issues are conditional upon the approval of an extraordinary general meeting to be held on February 16, 2023. The planned share Issues consist of a rights issue of approximately 4.0 MEUR and a directed issue of approximately 1.0 MEUR, providing the Company with gross proceeds of approximately 5.0 MEUR upon full subscription. The proceeds from the share issues will primarily be used to increase the working capital. The directed issue will be directed to a limited number of institutional investors. The maximum number of new shares to be issued is 100,183,105 in the rights issue and 25,000,000 in the directed issue, in total a maximum number of 125,183,105 new shares. The record date for the right to receive subscription rights will be February 20, 2023. Those who are registered as shareholders on the record date shall receive one subscription right for each share held in Sotkamo Silver. Two subscription rights entitle to subscription for one new share in the Company. The subscription price is 0.04 EUR or 0.45 SEK per share in the rights issue and the directed issue. The subscription period for the share issues will

commence on February 22, 2023 and end on March 8, 2023. A prospectus regarding the share issues will be published around February 17, 2023.

The Company and the senior lenders have February 13, 2023, agreed upon an amendment to the terms of the senior loan agreement, postponing the first instalment (1.5 MEUR due on March 31, 2023) to be paid on the termination date of the senior loan agreement (March 31, 2026).

The Company gave February 14, 2023, guidance for the year 2023 and defined medium-term operational and financial targets to support the implementation of the strategy (please see section Production and guidance in this report).

SHARES AND SHARE TRADINGS

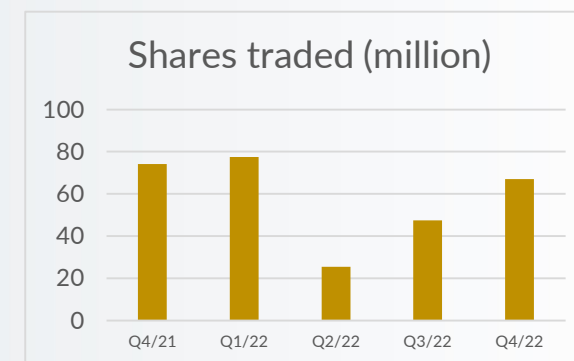
Sotkamo Silver AB's share capital on December 31, 2022 was 274 871 388 SEK and the number of shares 200 366 211.

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.

The number of shares traded on NGM Equity and Nasdaq Helsinki from October 1 to December 31, 2022, was 67 094 651 (74 081 300).

Share information	Q4 2022	Q4 2021
Share price SEK	0.44	1.57
Highest share price SEK, during the period	0.79	2.39
Lowest share price SEK, during the period	0.43	1.46
Quota value SEK	1.37	1.37
Market Cap. MSEK	88	315
Number of shares	200 366 211	200 366 211
Share capital SEK	274 871 388	274 871 388



RISK FACTORS

Financial, operational, and global economic risks and uncertainties might have an impact on the Company's operations and performance. The 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 risks and the mitigating actions are described in more detail in the Annual Report for 2021, p. 38–41.

WAR IN UKRAINE

Russia's brutal invasion to Ukraine ruined the geopolitical balance and affected the global economic climate. Experts are not expecting a quick cease of fire or peace to come.

Global geopolitical risks have soared since Russia's invasion of Ukraine. Investors, market participants, and policymakers expect that the war will exert a drag on the global economy while pushing up inflation,

with a sharp increase in uncertainty and risks.

We have seen the impact on metal and energy prices and the costs of production. For example, the energy cost was over 80 % higher than previous year. The net impact of these factors cannot be predicted in the distant future.

FINANCIAL CALENDAR

- Annual Report March, 2023
- AGM April 18, 2023
- Q1 April 26, 2023
- Q2 July 28, 2023
- Q3 October 25, 2023
- Q4 February 15, 2024

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, February 14, 2023

Eeva-Liisa Virkkunen, Chairman

Sixten Sunabacka, Vice Chairman

Jukka Jokela, BoD member

Kimmo Luukkonen, BoD member

Jarmo Vesanto, BoD member

Mikko Jalasto, CEO

CONSOLIDATED, CONDENSED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

<i>Amount in MSEK</i>	2022	2021	2022	2021
	Q4-22	Q4-21	FY22	FY21
Net sales	100,1	99,4	370,9	386,8
Change of finished goods	-1,6	0,8	1,1	1,3
Other income	7,1	1,1	11,1	0,6
Supplies	-54,8	-47,7	-215,7	-203,8
Other expenses	-20,1	-15,8	-71,4	-53,7
Employee expenses	-11,3	-10,2	-42,7	-39,2
EBITDA	19,3	27,6	53,2	92,0
Depreciation and amortization	-20,4	-22,1	-87,4	-84,7
EBIT	-1,1	5,5	-34,1	7,3
Financial income*	3,8	-0,3	35,4	0,0
Financial expenses	-6,0	-5,0	-27,9	-22,9
Interest expenses on lease payments	-0,3	-0,4	-1,1	-1,9
Financial net	-2,5	-5,7	6,3	-24,8
Result after financial items	-3,6	-0,2	-27,8	-17,5
Taxes	0,0	0,0	0,0	0,0
RESULT FOR THE PERIOD	-3,6	-0,2	-27,8	-17,5

*Financial income consists of fair value gains on debt instruments at fair value via P&L

OTHER COMPREHENSIVE INCOME

Result that may be reclassified to current period result:

Translation differences	4,0	0,1	22,5	4,5
Total comprehensive income	0,4	-0,1	-5,3	-13,0

Attributable to:

The parent company shareholders	0,4	-0,1	-5,3	-13,0
TOTAL	0,4	-0,1	-5,3	-13,0

Profit per share, non-diluted, SEK	-0,02	0,00	-0,14	-0,09
Profit per share, diluted, SEK	-0,02	0,00	-0,14	-0,09

CONSOLIDATED, CONDENSED BALANCE SHEET

<i>Amount in MSEK</i>	31.12.2022	31.12.2021
Assets		
Fixed assets		
Intangible fixed assets	0,3	0,0
Tangible fixed assets	536,7	516,4
Right of use assets	11,1	29,6
Financial fixed assets	36,4	35,1
Total fixed assets	584,5	581,1
Current assets		
Inventories	6,9	5,3
Trade receivables	39,0	28,8
Other assets	11,4	11,7
Cash and cash equivalents	0,8	36,7
Total current assets	58,0	82,5
Total assets	642,5	663,6
Equity		
Share capital	274,9	274,9
Other contributed capital	212,5	212,5
Retained earnings	-215,9	-220,9
Result of the period	-27,8	-17,5
Total Equity	243,7	249,0
Liabilities		
Provision	31,4	43,3
Non-current borrowings	240,4	53,6
Non-current lease liabilities	9,4	11,1
Non-current derivative liabilities	1,8	0,0
Total non-current liabilities	251,6	64,8
Current borrowings	25,8	195,1
Current lease liabilities	5,6	22,6
Trade payables and other payables	84,3	88,8
Total current liabilities	115,7	306,5
Total liabilities	398,8	414,6
Total equity and liabilities	642,5	663,6
Equity Ratio %	37,9 %	37,5 %
Cash Liquidity Ratio %	46,4 %	27,2 %
Equity per share, SEK	1,22	1,24
Equity per share, diluted, SEK	1,03	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					
Sum of period result				-28	-28
OTHER COMPREHENSIVE INCOME					
Translation difference			23		23
Sum of other comprehensive income	0	0	23	0	23
Closing Equity 31.12.2022	275	213	18	-262	244

CONSOLIDATED, CONDENSED STATEMENT OF CASH FLOW

<i>Amount in MSEK</i>	1.1.2022- 31.12.2022	1.1.2021- 31.12.2021
Operating activities		
Result for the period	-27,8	-17,5
Adjustments for items not effecting cash	76,0	105,2
Interests paid	-22,5	-21,0
Cash flow from operating activities before changes in working capital	25,8	66,7
Cash flow from changes in working capital		
Change in inventories	-1,6	-1,3
Change in operating receivables	-8,1	-26,7
Change in operating liabilities	-2,7	-3,1
Cash flow from operating activities	13,3	35,6
Investing activities	-60,9	-48,4
Share issue and convertible loan conversion	0,0	37,3
Issue costs	0,0	-2,5
Repayments of lease liabilities	-16,6	-20,2
Change in loans	27,9	-1,1
Cash flow from financing activities including share issue	11,3	13,5
Change in cash and cash equivalents	-36,3	0,6
Cash and cash equivalents in the beginning of the period	36,7	35,4
Translation differences in cash and cash equivalent	0,5	0,7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	0,8	36,7

PARENT COMPANY CONDENSED STATEMENT OF INCOME

<i>Amount in MSEK</i>	2022 FY22	2021 FY21
Net sales	0,0	0,0
Other income	0,0	0,6
Supplies	-0,2	0,2
Other expenses	-5,9	-6,1
Employee expenses	-2,5	-1,8
EBITDA	-8,6	-7,1
Depreciation and amortization	-0,1	0,0
EBIT	-8,6	-7,1
Financial income*	88,2	37,0
Financial expenses**	-371,6	3,0
Financial net	-283,4	39,9
Result after financial items	-292,0	32,7
Taxes	0,0	0,0
RESULT FOR THE PERIOD	-292,0	32,7

*Financial income consists mainly of interest rate income and related FX rate differences on capital loans

**Financial expenses consists mainly of writedown of capital loans

PARENT COMPANY CONDENSED BALANCE SHEET

<i>Amount in MSEK</i>	31.12.2022	31.12.2021
Assets		
Fixed assets		
Intangible fixed assets	0,0	0,0
Tangible fixed assets	0,3	0,0
Shares in subsidiaries	174,9	174,9
Financial fixed assets	247,8	494,9
Deferred tax asset	0,0	0,0
Total fixed assets	422,9	669,8
Other assets	16,6	12,2
Cash and cash equivalents	0,7	31,5
Total current assets	17,3	43,7
Total assets	440,3	713,5
Equity and liabilities		
Equity	368,0	660,0
Liabilities		
Long term liabilities	69,3	0,0
Short term liabilities	2,9	53,5
Total liabilities	72,3	53,5
Total equity and liabilities	440,3	713,5

EXCHANGE RATES

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

	31.12.2022	31.12.2021
Balance sheet day rate EUR/SEK	11.13	10.23
Balance sheet day rate USD/SEK	10.44	9.04
The average rate for the reporting period EUR/SEK	10.63	10.14

PARENT COMPANY

The group has at the end of the year evaluated the loan granted by Sotkamo Silver AB to Sotkamo Silver Oy in light of the regulations in IFRS 9 where a loan should be evaluated when interests are not paid. A write down of 362 MSEK has been recorded with the aim to strengthen the equity of the subsidiary. This has no impact on the group accounts.

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 a 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.

The 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 MEUR 6.4. 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 EUR 0.175 corresponding to SEK 1.826 per share.

The convertible contains two components: a conversion option component that will be recognised at fair value using the Black-Scholes model through a profit and loss account and a liability component that will be recognised at amortised 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 December 31, 2022, the fair value of the convertible option component was 2 MSEK and the fair value of the liability component was 39 MSEK. The fair value changes recognized through a profit and loss account were: conversion option liability 1 MSEK, and liability component 3 MSEK.

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 December 2022, the fair value of accounts receivable amounts to 39 MSEK (29) and is recognized in the item Trade Receivables in Current assets on 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 a million working hours

Ounce, Troy ounce which is 31.1035 grams

