

Annual and Sustainability Report 2023

**Silver is tomorrow's opportunity
and necessity**



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In case of discrepancies, the official Swedish version of this report prevails.

Sotkamo Silver

Sotkamo Silver is a mining and ore prospecting company that develops and utilizes 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 respecting the interests of local stakeholders. 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 an efficient 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 21,000 shareholders, of which approximately 85% are from Finland.



Year in brief

HIGHLIGHTS

Due to successful implementation of efficiency improvements and the stabilization of production, operations proceeded according to plan and Sotkamo Silver is making steady progress towards its vision. The stabilization of production as well as increased profitability has enabled Sotkamo Silver to shift its focus to the long-term development of the Company.



- The Company continued to execute its strategy and achieved both strategic and production targets for 2023.
- Silver production reached its highest level since 2020. Average silver head grade improved to planned good level and was 105 g/ton in 2023.
- The production was approximately 1,411,000 ounces of silver (1,169,000), 3,048 ounces of gold (3,285), 909 tonnes of lead (1,535), and 1,857 tonnes of zinc (3 335) in concentrates.
- Net sales increased by 10 percent from the previous year, supported by production growth and the favorable price of silver.
- Profitability improved to a clearly higher level than in the previous year. EBITDA margin was 34%. Profitability increased significantly driven by a higher average silver grade, higher silver price, improved efficiency of mining activities, decreased energy prices, and lower mining volumes. The cost control measures initiated during the previous year had a positive impact on the Company's operational costs.
- During the first quarter, the Company secured gross proceeds from a rights issue (3.4 MEUR) and renegotiated the terms of its senior loan agreement to postpone the first installment (1.5 MEUR) to March 2026.
- The Company's Board of Directors defined new medium-term operational and financial targets to support the implementation of the strategy.
- The Company updated its ore reserve estimation based on the new infill-drilling results during the last quarter of 2023. The infill-drilling provided the data which is necessary to upgrade part of the existing mineral resources to ore reserves. The results will not have an impact on the company's total mineral resources or the life of the mine (LOM).

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

ANNUAL REVENUE 2023

407 MSEK

EBITDA 2023

140 MSEK

SILVER PRODUCTION

1,411,000 oz

BY-PRODUCTS

Gold **3,048 oz**

Lead **909 t**

Zinc **1,857 t**

ENRICHING

478,000 ton

SILVER GRADE

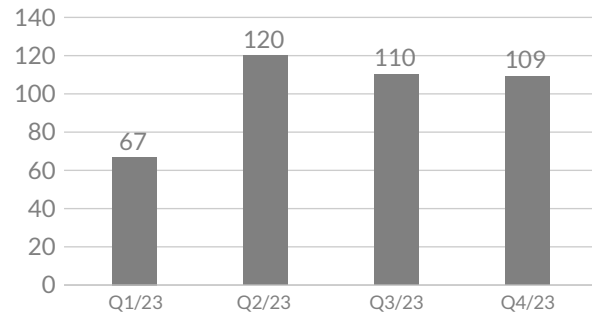
105 g/ton

INVESTMENTS

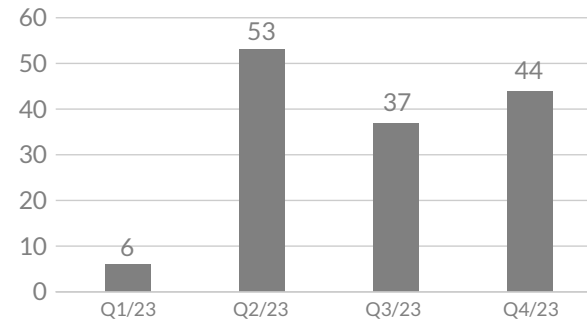
46 MSEK

Financial key figures

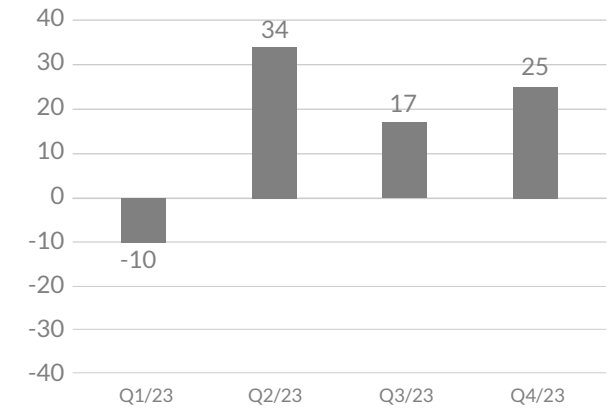
Net Sales, MSEK



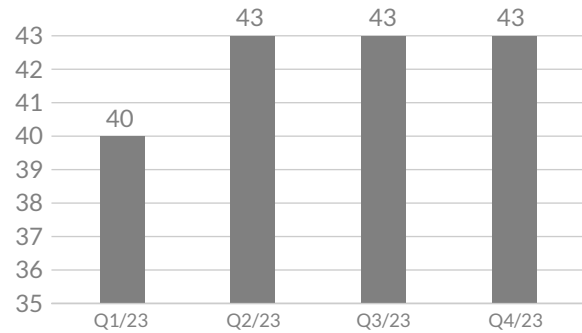
EBITDA, MSEK



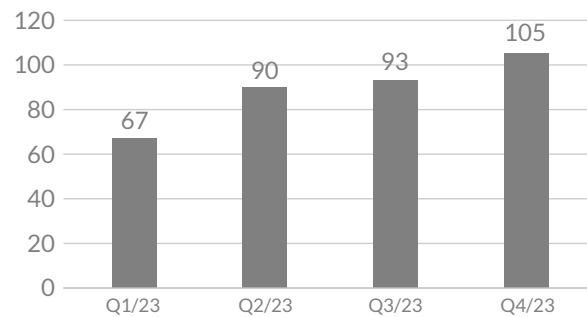
EBIT, MSEK



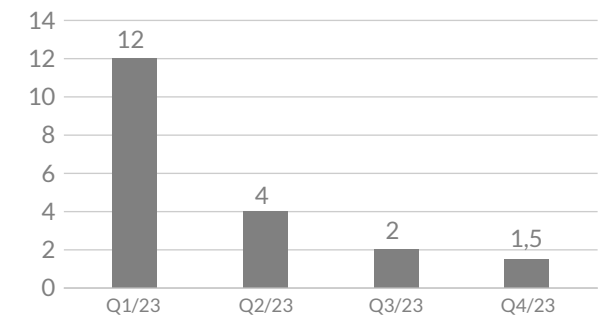
Equity ratio, %



Cash liquidity, %



Net debt-to-EBITDA, %



CEO review



Sotkamo Silver managed to take a strong turn in 2023. The year started with a challenging working capital situation and, during the first quarter, we strengthened our working capital through financing arrangements. Starting from the second quarter, our operations were profitable. Cash and cash equivalents increased significantly during the year, reaching SEK 79 million at the end of 2023.

Silver production remained at a high level during the past three quarters, and full-year production was higher than in the previous year at 1,411,000 ounces (1,169,000). Our revenue grew 10% from the previous year. The clear improvement in EBITDA and operating result strengthened our financial position. EBITDA increased by 163% to SEK 140 million and the operating result turned positive, amounting to SEK 67 million. The improvement in profitability was further supported by improved operational efficiency after the comparison period, the improved average silver content and the price stability of silver.

During the year, we also made progress on our important strategic responsibility goals. Our goal is to achieve Level A in the categories of the TSM Finland Mining Responsibility System as established by an independent auditor. According to the management's latest assessment, we had already reached this level in four key areas by the end of the year (tailings, water management, occupational safety and stakeholder cooperation). We will also continue our work to reduce nitrogen emissions.

Based on infill drilling carried out during the year, we updated our ore reserve estimate, which will support mining in the coming years. We believe that the amount of ore reserves and currently known mineral

resources will be sufficient for approximately 7–8 years of mining, and efforts are being made to further replenish them in 2024–2025.

All in all, 2023 proceeded as planned after the mining contractor change-over in the first quarter. The strategic objectives listed in our rights issue at the beginning of the previous year have largely been achieved, and the company has succeeded in implementing a clear operational and financial turnaround. At the end of 2022, we estimated that silver head grades would improve as we would be able to mine at lower levels. Thanks to efficient planning and execution, we have achieved this.

I am very happy and grateful for the work that the entire personnel of Sotkamo Silver has done to make the change. I am confident that we are also ready to develop our operations further, to ensure the extension of the life of the mine and to build the company's future also through ore prospecting in nearby areas.

Mikko Jalasto
CEO Sotkamo Silver

Strategy and activities

Sustainability and Respect for Local Stakeholders are at the heart of our strategy

Our mission is to "Discover, mine and create – metals and value"

STRATEGY

The cornerstones of Sotkamo Silver's strategy are:

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

Increase mineral resources by continuing exploration in the current mine and the Kainuu region

Sustainable use of natural resources



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 cash flow from operations. Cash and cash equivalents increased to 79 (1) MSEK by the end of the year.
- Reached targeted mining levels (360-420 metres) for improved head grade and turnover.
- Started selling pyrite (by-product) to reduce the environmental impacts and increase resource efficiency.
- Hedged partially the electricity purchase price for Q1-Q3/2024.
- Continued infill-drilling to enable cost-efficient detailed planning for the coming years.
- Updated its silver mine ore reserve estimates. According to the estimate, ore reserve amounted to a total of 1.45 million tonnes at the time of publication (December 27, 2023), and combined with currently known mineral resources are sufficient for about 7-8 years of mining.
- Continued to evaluate opportunities to mitigate risks related to volatile metal, currency, and financial markets through derivative instruments (hedging).

ONGOING ACTIVITIES

Extending Life-of-Mine (LOM), current mine

Sotkamo Silver continues planning activities for extending LOM until 2035. The first LOM-related exploration drilling campaign will begin during 2024. In 2025, the campaigns will be completed, the results analysed and new estimated LOM announced. While there remains potential on the western side of the current mineralisation, LOM extension activities will focus below the 700 meter level in the current mine.

Exploration, broader Kainuu region

Sotkamo Silver also continues 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.

Operational efficiency

Sotkamo Silver continues to focus on improving operational efficiency to maintain profitability at the targeted level and to curb cost escalation arising from inflation and the new mining tax in Finland.

Financing of investments

In 2024, the Company will continue and moderately increase investments in infill and exploration drilling, planning activities related to extending the LOM as well as above mentioned activities related to exploration in the broader region with cashflow from operating activities financing to the extent currently feasible.

The Company continues to explore 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 the planning is completed.



Why invest in Sotkamo Silver

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

Efficient and Stable Production and a Long Delivery Contracts for Concentrates

Plans to Extend the Life of the Silver Mine

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

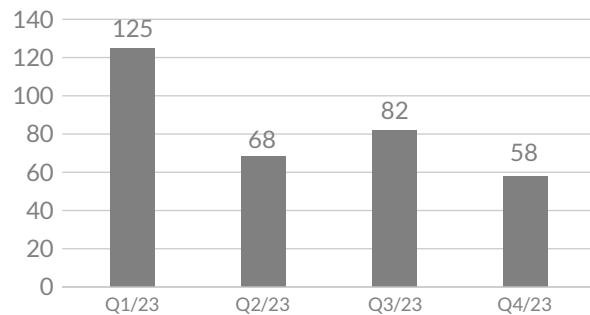
Commitment to Sustainable Development

Share

Shares and trading

Sotkamo Silver AB's share capital on December 31, 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 2023 330,248,106 (217 553 249) shares were traded on NGM Equity in Stockholm and Nasdaq in Helsinki.

Shares Traded (million)



Share information

	31 Dec 2023	31 Dec 2022
Share price, SEK	0.79	0.44
Highest share price during the period, SEK	1.54	2.05
Lowest share price during the period, SEK	0.43	0.43
Quota value; SEK	0.96	1.37
Market cap, MSEK	227	88
Number of shares	285,758,153	200,366,211
Number of shares, diluted	322,340,553	236,948,611
Share capital, MSEK	275,504,549	274,871,388

Largest shareholders 31 Dec 2023

Name	Number of shares	Ownership (%)
Hexof Oy	21,184,991	7.4
Esa Tauriainen	5,850,000	2.1
Avanza Pension	3,448,253	1.2
Petri Ailus	3,083,591	1.1
Mikko Leinonen	3,000,000	1.1
Jouko Eerola	2,500,000	0.9
Others	246,691,318	84.0
Total shares	285,758,153	100

Targets and guidance

On 14 February 2024, Sotkamo Silver published guidance for 2024 and on 14 February 2023, defined medium-term operational and financial targets until 2025 to support the implementation of the strategy.

Guidance

- The Company expects to produce 1.45 -1.55 million ounces of silver in 2024
- Annual EBITDA to be at least 28 %
- Net debt-to-EBITDA to be below 2.0 at year-end

The Company expects profitability to remain at a good level in 2024. Profitability is supported by improved operational efficiency but burdened by inflation and cost escalation. The Company's profitability is significantly affected by external factors, such as metal prices, exchange rates and inflation. The achievement of the guidance assumes a slight increase in metal prices and EUR/USD rate to remain approximately at the level of the time when the guidance is published (14 February 2024).

Medium-term Targets

- Annual silver production: > 1,5 Moz
- Annual EBITDA margin: > 30 %
- Net debt to EBITDA ratio: < 2,0
- Extending Life of Mine (LOM) by five years until 2035
- Performance rating A verified in Kaivosvastuu (www.kaivosvastuu.fi) protocols by an external auditor in 2024*

*) The verification is carried out by an independent auditor. More information about the mining liability system: www.kaivosvastuu.fi. The target refers to the eight areas included in the protocols as of February 2023. Since the target was set, two new areas have been added, and the Company is evaluating their implementation schedule.



Silver market

Silver enables 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 reached a record 1.21 billion oz in 2022 and silver demand outstripped supply.* The demand is forecasted to exceed supply also in years 2023 and 2024.* 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

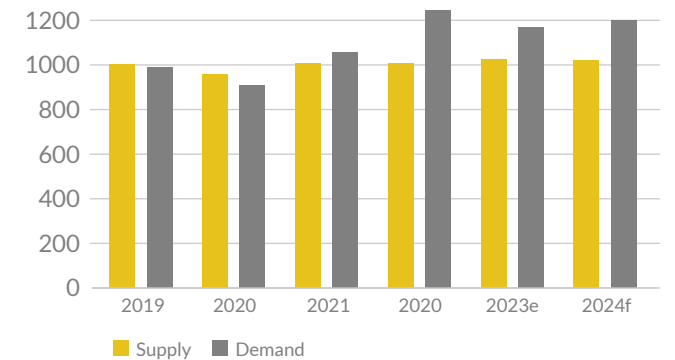
Solar Cells and Renewable Energy

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 exceeds supply



Source: Silver Institute's World Silver Survey 2023 and press release on January 30, 2024

*Silver Institute An annual report on the global silver market, "World Silver Survey" has been published since 1990 by the Silver Institute. The Survey provides market participants with supply and demand statistics for key sectors of the silver market, as well price and trade data. Copies of each year's report are available in PDF format on the web pages of the Silver Institute and are freely downloaded: <https://www.silverinstitute.org/all-world-silver-surveys/>. Silver Institute's 2024 supply and demand forecast: <https://www.silverinstitute.org/global-silver-demand-forecasted-to-rise-to-1-2-billion-ounces-in-2024/>

Silver mine and production

The cash-flow producing mining operations at the Finnish Sotkamo silver mine were launched in 2019 and is ramped up to a stable level. 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 extending the decline has also enable mining in new areas below 360m.

Sotkamo Silver has approximately 50 personnel in concentration plant and administration as well as 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.

Silver is the primary metal produced in the mine. Silver has important role in the green transition and is used e.g. in solar panels and electric vehicles. Silver is the most conductive metal and therefore vital in many industrial applications.

Of the metals produced, zinc and lead are vital in many key areas. Zinc is used in corrosion 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 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 1,4 Moz of silver in 2023.

During the year, the total amount of milled ore decreased by 25% to 478,000 tonnes compared to the previous year (635,000). Volume was slightly below the Company's production plans, mainly due to the ramp-up period of the new mining contractor in the first quarter of the year. In total, the production amounted to 1,411,000 ounces silver (1,169,000), 3,048 ounces of gold (3,285), 909 tonnes of lead (1,535), and 1,857 ton-



nes of zinc (3,335) in concentrates. Silver production developed positively 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 improved during the year to average of 105 g/tonne (69). The increase was anticipated and further supports the Company's expectations that head grade will remain at 90-110 g/tonne level in the coming quarters as well.

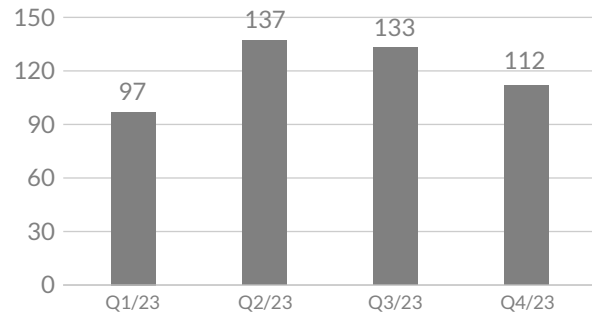
The Strength of the Operational Activities

Sotkamo Silver's strength lies in its expertise in mining and operational activities. Together with an organisation competent in concentration operations, the Company has also additional concentration capacity for increasing the production from 2023. In long term the existing concentration and other infra can be utilized by processing the ore from other mine projects in the Kainuu region.

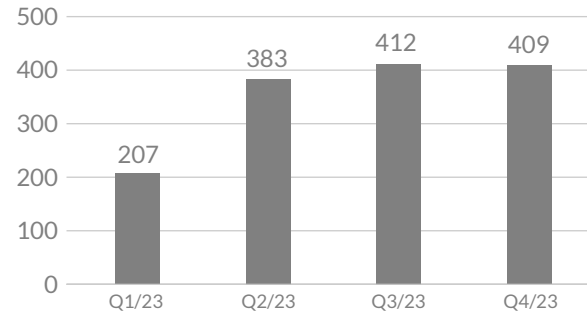
THE SILVER PRODUCTION AT ITS HIGHEST LEVEL SINCE 2020

Operational key figures

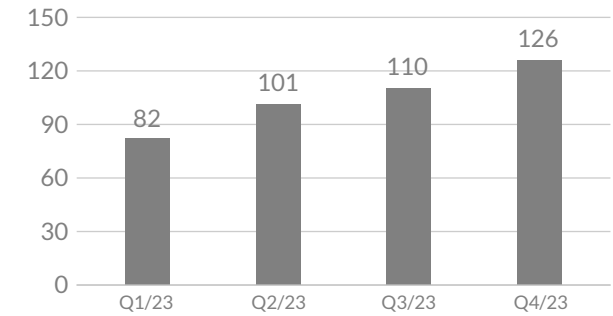
Milled ore, tonnes



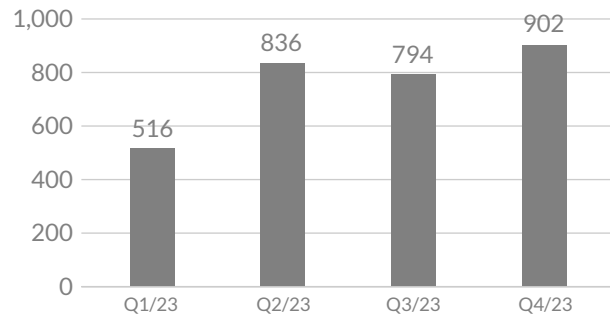
Silver production, koz



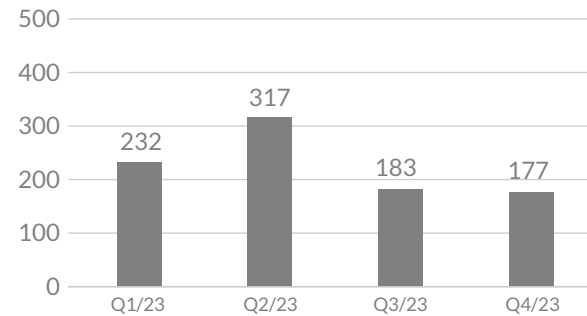
Silver head grade, g/tonne



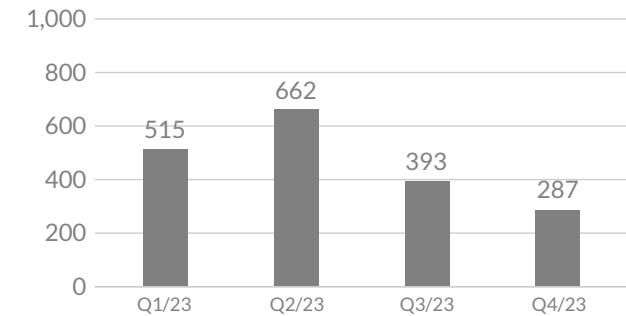
Gold production, oz



Lead production, tonnes



Zinc production, tonnes



Mine expansion, mineral deposits and ore reserves

DEFINITIONS IN BRIEF

Ore reserves represents the area where production is focused on in the short-term. Detailed infill drilling is conducted in this region to ensure optimized mine planning and to optimize silver grade in production. The objective of Sotkamo Silver is to ensure that ore reserves are annually increased by a minimum one year's worth of production with infill drilling.

Mineral resources represent resources which are fairly well-known, but not yet drilled in detail. Mineral resources are upgraded to Ore reserves with infill drilling. The best-known resources in this area form the basis for estimating the current Life-of-Mine (LOM), currently 2030.

Areas beyond the above-mentioned mineral resources represent further potential for exploration to expand the Life-of-Mine. Sotkamo Silver aims to extend LOM to 2035 by the end of 2025. Information about this area is currently based on earlier geological studies and earlier exploration drilling.

As drilling is expensive, all in-fill drilling and exploration activities are carefully planned. Drilling is always conducted gradually and in the most economically feasible manner.

Mineral Resources and Ore Reserves are categorized based on the international JORC code.



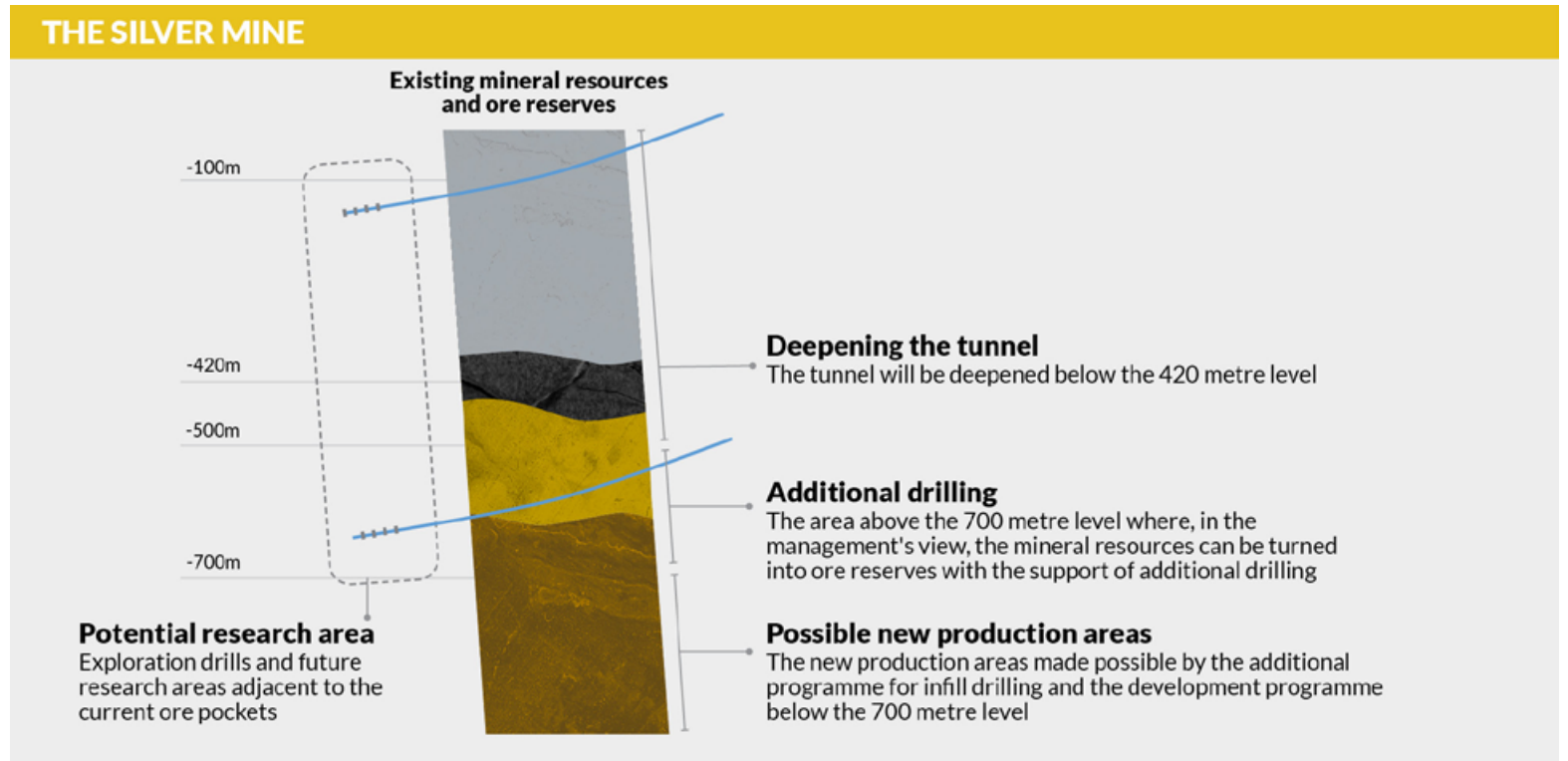
The company's classified mineral resources
8.9 million tonnes

Measured and indicated resources
4.9 million tonnes

Silver equivalent content
95 g/t Ag

In accordance with its updated ore reserve estimate of December 2023, Sotkamo Silver estimates that the ore reserves (“ORE”) of the silver mine total 1.46 million tonnes of ore, which includes silver, gold, lead and zinc*. Sotkamo Silver retains its estimate of the silver mine’s mineral resources (“MRE”) and plans to update them next in 2025. The updated ore reserve estimate does not affect Sotkamo Silver’s guidance or the 2023 production forecast.

The company believes that the amount of ore reserves and economically extractable mineral resources is now sufficient for approximately 7–8 years of mining. It is possible to increase the resources further with infill and exploration drilling. The purpose of infill drilling is to enable the upgrade of the mine’s currently known mineral resources to ore reserves. Exploration drilling aims to expand the known amount of mineral resources either in the current mine or in new ore exploration areas. In the coming years, Sotkamo Silver will focus not only on the current mine, but also on the development of areas in its immediate vicinity. Sotkamo Silver aims to extend the life of the mine to 2035 by the end of 2025.



The company's classified mineral resources

Table 1

Mineral Resources Sotkamo Silver as of 31 Dec. 2023

Category	Tonne (kt)	Silver (g/t)	Gold (g/t)	Lead (%)	Zinc (%)	AgEq (g/t)	Silver (koz)	Gold (koz)	Lead (t)	Zinc (t)
Measured	1,081	54	0.26	0.21	0.55	97	1,877	9	2,270	5,946
Indicated	3,795	56	0.23	0.22	0.51	94	6,833	28	8,349	19,355
Total	4,876	56	0.24	0.22	0.52	95	8,709	37	10,619	25,300
Inferred	4,052	52	0.16	0.25	0.61	90	6,774	21	10,130	24,717
Total	8,928	54	0.20	0.23	0.56	93	15,484	58	20,749	50,017

Table 2

Ore reserves Sotkamo Silver as of 31 Dec. 2023

Category	Tonne (kt)	Silver (g/t)	Gold (g/t)	Lead (%)	Zinc (%)	AgEq (g/t)	Silver (koz)	Gold (koz)	Lead (t)	Zinc (t)
Proven	944	96	0.17	0.25	0.58	133	2,914	5	2,313	5,513
Probable	511	91	0.25	0.21	0.48	130	1,495	4	1,073	2,453
Total	1,455	94	0.20	0.23	0.55	132	4,409	9	3,386	7,966

Ore prospecting programme

Tipasjärvi greenstone belt – around the Silver Mine

Sotkamo Silver has carried out preliminary interpretations based on existing data from previous geological and geophysical surveys. The work identified seven high-priority goals or target areas that were proposed for further work and follow-up. An assessment of the aforementioned data strengthens the potential of exploration in the greenstone belt, and management is confidently looking forward to the next phase of investigation.

Peura-aho and Hietaharju – nickel, copper, platinum and palladium

Sotkamo Silver Oy has acquired the mining and prospecting rights for the Hietaharju and Peura-aho mining concessions and for the Hietaharju North prospecting area in Suomussalmi from Boliden.

The Kiannanniemi nickel-copper-platinum-palladium deposits are located in the northern part of the Kuhmo greenstone belt and were discovered and investigated by Outokumpu in the early 1960s. The stone samples detected by a prospector were the first indication. The most recent work was carried out by Altona Mining Ltd in 2005–2011.

Altona Mining Ltd prepared mineral resource calculations for the deposits in accordance with the Australasian JORC Code. The estimates are shown in table 3.

The estimates of the mineral resources are based on the results of core holes drilled in the area (21 kilometres overall). Metallurgical laboratory testing of Peura-aho and Hietaharju yielded marketable concentrates. In addition to nickel and copper, the concentrations of platinum and palladium are significant.

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 reserves in the 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 mineralizations 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.

Exploration of the broader Kainuu region



Table 3

Mineral resources in Peura-Aho and Hietaharju as of 31 Dec. 2023

Category	Million tonnes (Mt)	Ni %	Cu %	Co %	Pt g/t	Pd g/t
Indicated	0.40	0.63	0.29	0.04	0.28	0.62
Inferred	0.09	0.48	0.23	0.04	0.21	0.42
Total Peura-Aho	0.49	0.60	0.27	0.03	0.27	0.58
Indicated	0.85	0.85	0.44	0.06	0.53	1.25
Inferred	0.24	0.59	0.27	0.04	0.34	0.89
Total Hietaharju	1.09	0.80	0.40	0.05	0.49	1.17

Sustainability Report

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INTRODUCTION

Sotkamo Silver’s sustainability principles are the foundation of everything we do. We want to operate sustainably and responsibly from the perspective of the environment, our stakeholders, our customers and shareholders.

This Sotkamo Silver Sustainability Report, the third of its kind, describes our operations in 2023. It outlines the main goals, measures and indicators of the company’s sustainability work.

The report follows the principles outlined in the guidelines of the Global Reporting Initiative (GRI). Sotkamo Silver is also preparing to report in accordance with the Corporate Sustainability Reporting Directive (CSRD).

This report is published as part of Sotkamo Silver AB’s Annual and Sustainability Report for 2023.

2023 IN BRIEF

We upgraded our management systems for occupational health and safety, tailings management and water management to Level A in the TSM Finland Mining Responsibility System.

We updated our Code of Conduct.

Our employee satisfaction increased significantly and reached the highest level ever at the end of the year.

The sales of pyrite concentrate increased significantly compared to the previous year. Of the pyrite produced, 75% was delivered to the customer as a product.

We prepared a carbon footprint reduction plan, and we aim for a level corresponding to the Paris Climate Agreement (+1.5°C).

We started using tailings in the underground mine backfill.

SOTKAMO SILVER AS A COMPANY

Sotkamo Silver Group consists of the parent company Sotkamo Silver AB and its Finnish subsidiary Sotkamo Silver Oy. Sotkamo Silver AB is listed on the NGM Main Regulated Equity in Stockholm and on the main listing on Nasdaq Helsinki.

Sotkamo Silver's purpose is to produce precious metals responsibly and efficiently, and to develop its operations profitably on a long-term basis. The company is guided by two strong values: responsibility and locality. The main principles in our everyday operations are sustainability, transparency, respect and reliability. Our operations generate well-being and value for our owners, our personnel and the local community.

Sotkamo Silver produces concentrates containing silver, gold, zinc, lead and pyrite. The company's main project is the silver mine located in Sotkamo, Finland. The mine began production in March 2019. Its operations are divided into an underground mine and an open pit and include the mining, storing, crushing and transport of ore and waste rock as well as the concentration of ore.

In 2023, the Sotkamo silver mine produced 1.41 million ounces of silver. The mine also produces gold, zinc and lead. The ores are processed into concentrates, which are sold to smelters in accordance with a supply agreement. The production process of the mine is presented in Figure 1. In 2018–2023, Sotkamo Silver invested around SEK 647 million in the Sotkamo silver mine, of which environmental investments amounted to around 15%. In 2023, the Group's turnover was SEK 407 million.

Sotkamo Silver's business has significant positive regional economic and social impacts. More than 50% of the turnover is estimated to remain in the local economy in Eastern and Northern Finland through services and goods procured and wages paid. In 2023, the company paid a total of SEK 9 million in real estate tax and employees' income tax.

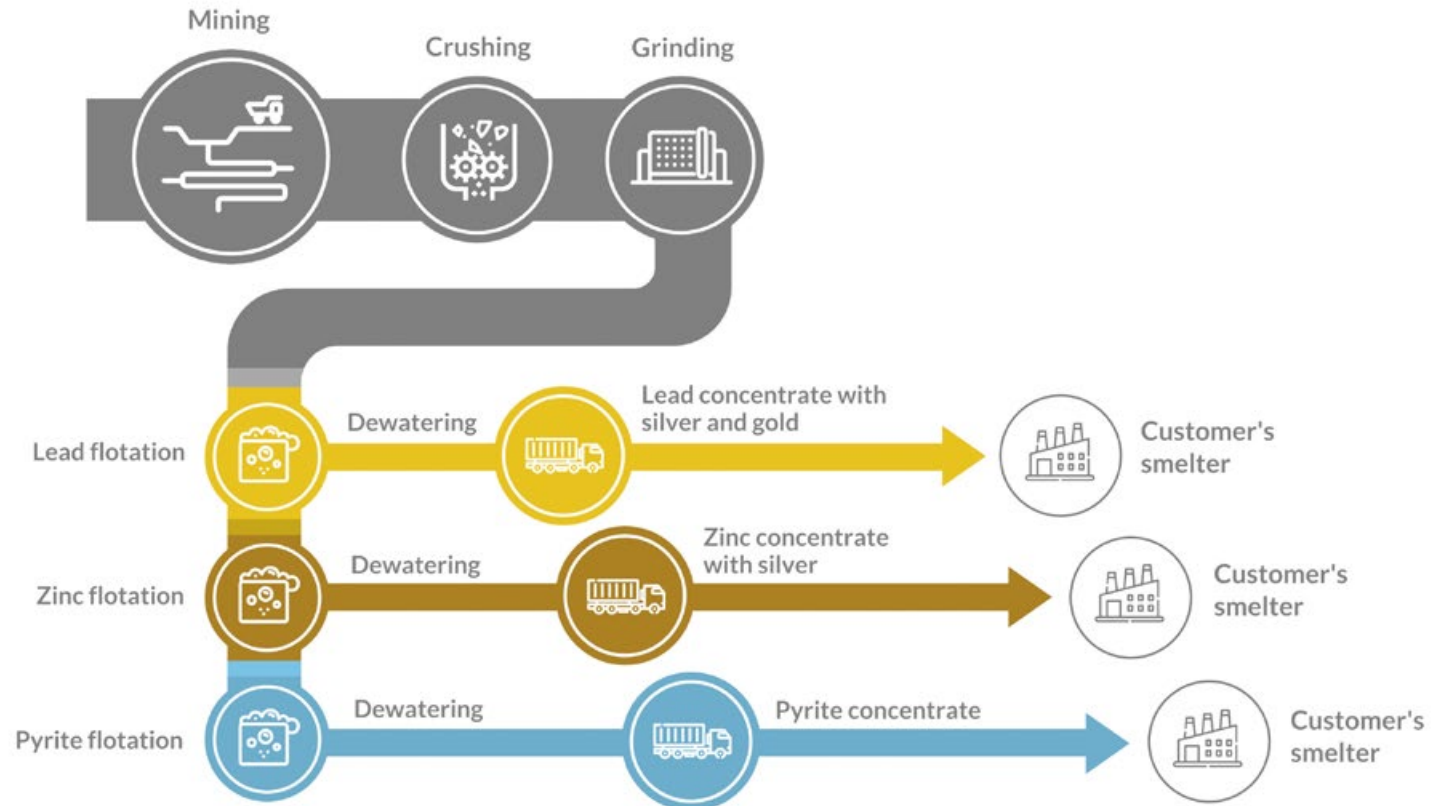


Figure 1 The production process of the silver mine

THE GOALS OF OUR SUSTAINABILITY WORK

Safety and the development of a positive safety culture are at the core of our sustainability policy. We identify and assess risks and impacts to the environment, safety, and the community before taking action.

We actively try to avoid the degradation of biodiversity and habitats. We are constantly improving the efficiency of our use of energy and natural resources.

We are actively and openly in contact with those affected by our operations and strive to take their views into account. In our operations, we respect the habits, interests and rights of our stakeholder communities.

We uphold ethical practices. We offer our employees and contractors a working environment in which everyone is treated fairly and respectfully.

We are committed to the TSM Finland Mining Responsibility System.

Our sustainability work is focused on three themes:

- Responsible operations
- Safety and commitment
- Taking care of the environment

Responsible operations



- We are a reliable partner and uphold ethical business practices
- Risk management is essential for building a sustainable business

We are number one in our size category in terms of responsible mining

Safety and commitment



- We ensure a safe and healthy working environment
- Committed and satisfied personnel is a prerequisite for our success

We are constantly and systematically improving our safety culture

Taking care of the environment



- We minimize the environmental impact of our operations
- We are taking action to achieve carbon neutrality by 2035

We are committed to the goal of the Paris Climate Agreement

OUR STAKEHOLDERS

At Sotkamo Silver, we are committed to transparent and open operations. We want to build trust and strong relationships with our stakeholders.

We actively collaborate with our stakeholders, and we are happy to present our operations and their impacts to them. Identified stakeholders are interested in our operations and they expect continuity of our operations.

A monitoring group, made up of representatives of local communities, met four times in 2023. The monitoring group includes persons from both permanent and summer residents of the area near the mine, landowners, village associations, fisheries associations, the Kainuu district of the Finnish Association for Nature Conservation, the municipality of Sotkamo, Metsähallitus and the local authorities. The meetings addressed the environmental impacts of the mine and other topical issues.

Stakeholder	Expectations	Engagement methods
CUSTOMERS	<ul style="list-style-type: none"> • High quality • Ethical and responsible operations 	<ul style="list-style-type: none"> • Customer meetings • Visits to the mine • Open interaction
PERSONNEL	<ul style="list-style-type: none"> • Responsible operations • A safe and healthy working environment • Stable employment relationships 	<ul style="list-style-type: none"> • A quarterly employee survey • Performance appraisals • Training • Continual improvement of safety
LOCAL COMMUNITY AND ORGANIZATIONS	<ul style="list-style-type: none"> • Minimising environmental impacts • Transparency • Employment opportunities 	<ul style="list-style-type: none"> • Open interaction • Regular meetings of the joint monitoring group • Annual reporting
LICENSING AUTHORITIES	<ul style="list-style-type: none"> • Compliance with permit decisions • Open proactive communication 	<ul style="list-style-type: none"> • Continuous monitoring and reporting • Regular meetings with the authorities
SHAREHOLDERS	<ul style="list-style-type: none"> • Responsible and profitable operations • Continuous improvement of responsibility and risk management • Value creation 	<ul style="list-style-type: none"> • Financial reporting • Disclosures according to stock exchange rules • Investor meetings
SUPPLIERS AND SUBCONTRACTORS	<ul style="list-style-type: none"> • Responsible operations • A safe working environment • Long-term partnerships • Local collaboration opportunities 	<ul style="list-style-type: none"> • Open interaction • Continual improvement of safety • Code of Conduct
OTHER FINNISH MINING COMPANIES	<ul style="list-style-type: none"> • Industry collaboration • Implementation of responsible mining 	<ul style="list-style-type: none"> • Active participation in the activities of the trade association (Finnish Mining Association)

Table 1. Sotkamo Silver's stakeholder collaboration

Student excursion at the depth of half a kilometre

As part of its stakeholder collaboration, Sotkamo Silver presents its mine and operations to visitors. The mine is a popular excursion destination among students, for example.

In November, we arranged an excursion for mechanical engineering students from Kajaani University of Applied Sciences. The students were introduced to mining in practice. We first introduced the students to the quarry located at a depth of 460 metres. Next, we showed them the pre-treatment and concentration process of ore at the concentrator plant.

Safety is the number one priority both when working in the mine and when visiting the mine site. Appropriate protective equipment and observance of safety instructions are indispensable. During their visit, the students familiarized themselves with the instructions and practical working methods that ensure safe working conditions underground.



(Photo by Jussi Pohjavirta/Kainuun Sanomat)



RESPONSIBLE OPERATIONS

“We are number one in our size category in terms of responsible mining”

We are a reliable partner and follow ethical practices. Risk management is central to the development of our responsible operations. Sotkamo Silver’s sustainability management is based on the company’s own responsibility policy, the TSM Finland Mining Responsibility System and the principles of the international ISO 9001, ISO 14001 and ISO 45001 standards for quality, environment and occupational safety.

The company’s operations are guided by ethical principles (Code of Conduct). Sotkamo Silver’s ethical operating principles were updated in 2023 to comply with the principles of the UN corporate sustainability initiative (Global Compact). The Code of Conduct describes the key principles and procedures to which Sotkamo Silver’s personnel and board members are committed.

We have also prepared a separate Code of Conduct for our business partners.

The ethical principles are supplemented by more detailed guidelines, such as the personnel manual, administrative regulation and insider policy.

Sotkamo Silver’s Code of Conduct is available on the company’s website: <https://www.silver.fi/en/sustainability/code-of-conduct-en>

Aiming for a Level A rating in the mining responsibility system

The mining responsibility system, now officially called TSM Finland, is based on the international Towards Sustainable Mining standard. The companies committed to the system follow principles that are sustainable from the point of view of nature, people and the economy throughout the life cycle of mining, from prospecting for minerals to the closure and aftercare of mines.

TSM Finland’s mining responsibility system includes social responsibility reporting and nine assessment tools, which are Stakeholder Cooperation (1), Biodiversity Management (2), Tailings Management (3), Water Management (4), Energy Efficiency and Greenhouse Gas Emissions (the Climate Change Protocol will replace this as of 2024) (5), Occupational Health and Safety (6), Crisis Management (7), Mine Closure (8) and Equal, Diverse and Inclusive Workplaces (9) (first self-assessment in 2026). These create a concrete basis for the development of responsible operations. Companies report their results annually, and their performance is verified by an external expert every three years.

In 2023, Sotkamo Silver updated its management systems for Occupational Health and Safety, Water Management and Tailings Management in accordance with TSM Finland and achieved a Level A rating in all of them. Stakeholder cooperation reached Level A already in the self-assessment in 2022. The first external verification will be carried out in 2024. Mining responsibility is assessed with five ratings (C, B, A, AA and AAA), of which the lowest, Level C, corresponds to compliance with legal requirements. Achieving Level A requires developing and implementing the processes defined in the management systems. At Level A, communications regarding the management systems must be transparent and the reporting must be public.

Further information about TSM Finland: www.kaivosvastuu.fi

ESG risk management

We are continuously assessing ongoing and potential risks to our operations. The CEO and the Board of Directors are responsible for operational risk management procedures and for ensuring that the risks are taken into account in strategic planning.

Mining causes environmental risks, which are being constantly assessed and monitored. The provisions of the environmental permit issued for the operations also set a benchmark for risk management. The most significant risks are related to waste water and solid mining waste. These, as well as emissions to the air, vibration and noise are monitored carefully according to a detailed monitoring programme.

In occupational safety, we invest in the continuous identification of hazards and risk management. We conduct occupational safety risk assessments regularly and use this information to prepare our annual action plan. We have conducted risk assessments for routine work and based our work instructions on them. Hazards related to the task at hand are always reviewed prior to the start of work.



SAFETY AND COMMITMENT

“We are constantly and systematically improving our safety culture”

Occupational safety

Sotkamo Silver is committed to the zero accident goal in occupational safety. The employer is responsible for enabling safe working conditions. It is the collective responsibility of all personnel and contractors working at the mine to use appropriate protective equipment and follow safe working procedures, as well as to report safety deficiencies and other observations.

The occupational health and safety management system was updated in 2023 with the aim of achieving Level A criteria in the mining responsibility system. The responsibilities, duties and other tasks of the company’s management and personnel are clearly documented. We use an occupational health and safety management system, which is based on a systematic review of risk assessments, to continuously improve our occupational safety. Safety orientation and training is mandatory for everyone working at the mine, and occupational health and safety are part of the selection criteria for contractors and suppliers. We have created a detailed monitoring and reporting method for hazardous situations and accidents. The goals and their achievement are regularly communicated to the personnel and contractors.

We monitor occupational safety every month with the Lost Time Injury Frequency Rate (LTIFR), which measures the number of accidents leading to absences per million hours worked. Sotkamo Silver monitors the accident frequency of both its own personnel and its contractors’ personnel.

At the end of 2023, the accident frequency of Sotkamo Silver’s personnel was 12.0 and that of its contractors 20.0. At the end of the year, the accident frequency of everyone working at the silver mine was 15.5. The development of the accident frequency is presented in Figure 2. The accidents that occurred in the autumn of 2023 resulted in an upturn in the accident frequency. The company has taken measures to remedy the situation: special attention is paid to safety management by strengthening safety training and practices, to which both the company’s personnel and contractors operating at the site are committed.



Lost Time Injury Frequency Rate (LTIFR) at the silver mine 2022–2023

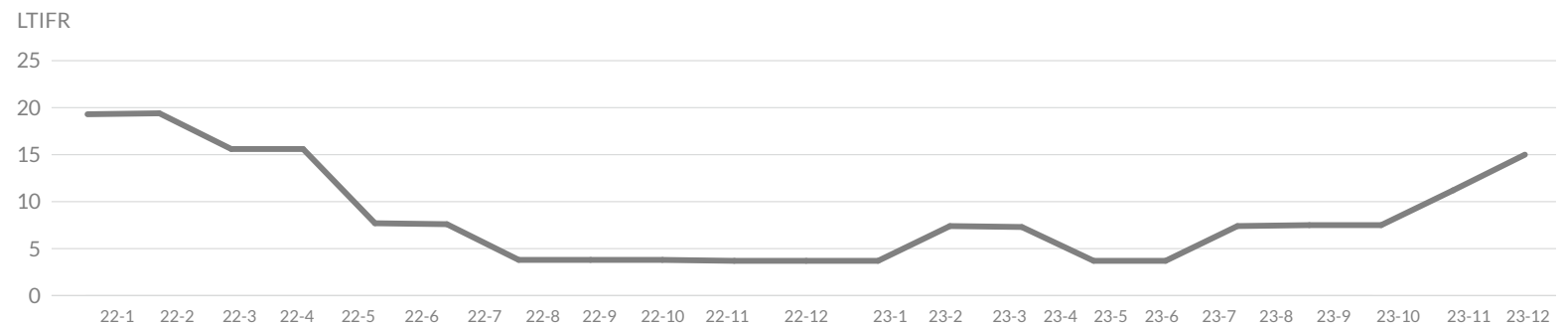


Figure 2. Monthly development of the Lost Time Injury Frequency Rate 2022–2023 (LTIFR)

Employee satisfaction and commitment

We carry out employee surveys four times a year. The results are used for monitoring employee satisfaction and identifying development areas as well as for daily management and its development.

As metrics for employee satisfaction, we use indicators describing the success of leadership and ability to work, as well as the eNPS engagement index. The questions in the personnel survey are answered on a scale of 1 to 5, in which 3.5 to 4 is considered good and 4 to 5 excellent.

The indicator describing the leadership success is affected by the responses to the questions “I know what is expected of me in my work”, “my roles and responsibilities are clear” and “my immediate supervisor supports

my success at work” in the personnel survey. The December 2023 result of 4.18 was at an excellent level and exceeded the target of 4.0. Development measures have included training of supervisors and strengthening of communication and feedback practices.

Ability to work indicator is examined with the following questions: “there is a caring atmosphere in my workplace”, “my employer is genuinely interested in my well-being”, “my work environment is safe and secure”, and “from a health perspective, I will be able to work in my current role in two years”. The work ability indicator (4.06) also rose to an excellent level and exceeded the target (4.0) in December 2023. We develop occupational safety and well-being continuously in cooperation with the occupational health and safety committee and occupational health care.

Employee engagement is tracked with the eNPS (Employee Net Promoter Score) engagement index, which is based on how likely the employees would recommend the company as a workplace. Based on the responses, the personnel is divided into three groups: promoters, passives and detractors. The eNPS is obtained by subtracting the percentage of promoters from the percentage of detractors. The minimum promoter score is -100 (everyone is a detractor) and the maximum score is 100 (everyone is a promoter). The engagement index (26) also developed positively in 2023 and came close to the target (30).

Leadership success indicator

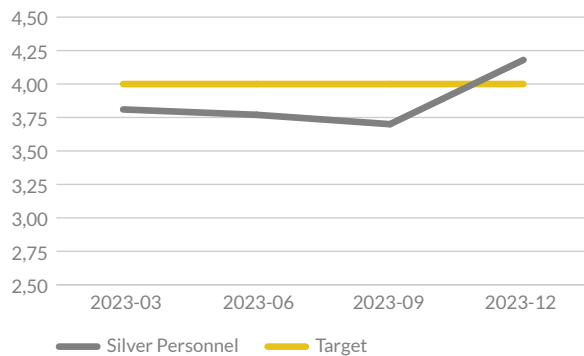


Figure 3. Leadership success indicator, scale 1 to 5

Ability to work indicator

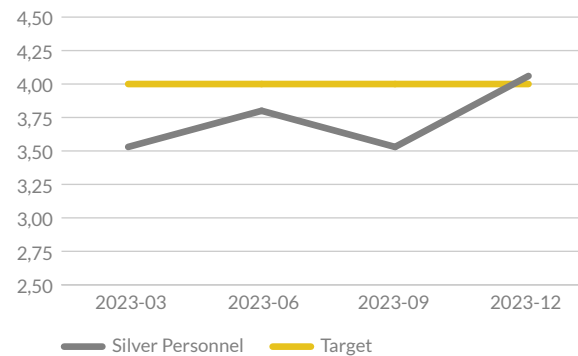


Figure 4. Ability to work indicator, scale 1 to 5

eNPS

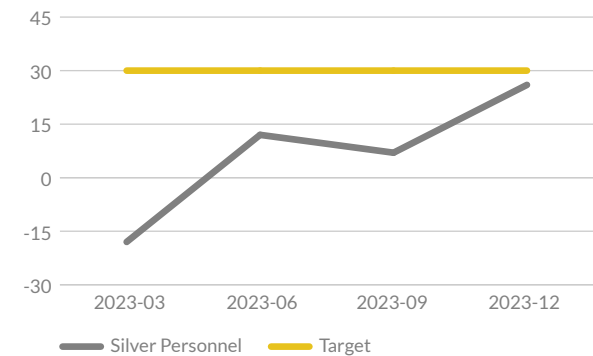


Figure 5. Engagement index eNPS, scale -100 to 100



TAKING CARE OF THE ENVIRONMENT

“We are committed to the goal of the Paris Climate Agreement”

Our environmental work is guided by the company’s sustainability policy and the valid environmental permit. We are also aware of our stakeholders’ high expectations regarding environmental protection. We develop our operations so that we can operate within the limits set by the environmental permit and meet the expectations of our stakeholders.

Carbon footprint and energy consumption

Since 2023, we have calculated our company’s carbon footprint in accordance with the Greenhouse Gas (GHG) Protocol by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). To extend the reference period, the 2022 greenhouse gas emissions have been estimated retroactively using a methodology similar to the 2023 emissions.

Scope 1 and Scope 2 emissions include the fuel consumption of Sotkamo Silver’s own and leased vehicles as well as its machinery and equipment (Scope 1) and the electricity purchased (Scope 2). Emissions from electricity purchased have been calculated using both a location-based and a market-based method. The market-based method takes into account guarantees of origin for renewable energy, and the location-based method is based on Finland’s average emission factor for energy production. Emissions have been reported using both of these methods according to the GHG protocol. In accordance with the general practice of the mining industry, we have also included the fuels and explosives used by contractors at the mine site as part of the Scope 1 calculation. For scope 3, we have taken into account the most relevant categories presented in Table 2.

Further information about the calculation method: <https://www.silver.fi/en/sustainability/greenhouse-gas-emissions-calculation>

	2022	2023
SCOPE 1		
Use of explosives	170	92
Vehicles	3,068	2,805
Own heat production	487	637
Scope 1 in total	3,725	3,533
SCOPE 2		
Electricity purchased – market-based	14,619	13,450
Electricity purchased – location-based	1,768	1,142
SCOPE 3		
Materials and services purchased	1,589	1,362
Manufacture of fuels and energy lost in transmission	1,269	1,215
Transport and distribution (incoming)	215	191
Operational waste	34	27
Commuter traffic	140	140
Transport and distribution (outgoing)	267	545
Scope 3 in total	3,514	3,480
CO₂ EMISSIONS IN TOTAL		
Scope 1, 2 (market-based) & 3	21,857	20,463
Scope 1, 2 (location-based) & 3	9,007	8,154

Table 2. CO₂ emissions (tCO₂e)

Energy Consumption

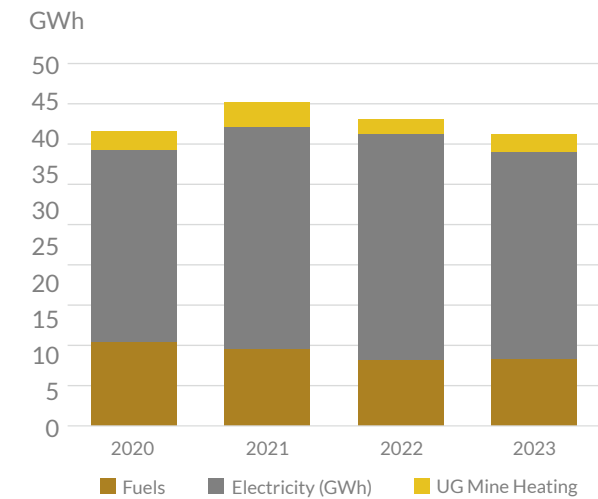


Figure 6. Energy consumption in gigawatt-hours (GWh).

Energy consumption includes the fuel consumption and electricity purchased at the entire mine site. The reporting format was changed after 2022 with regard to the reporting of electricity purchased. Since 2023, we have reported the amount of electricity purchased instead of just the electricity used. The information presented in Figure 6 is comparable.

Mining waste

Sotkamo Silver's mining operations generate waste rock and tailings as mining waste. The management of mining waste is guided by the requirements of the environmental permit and the company's principles of minimizing waste generation and promoting reuse.

We prevent waste generation by careful planning and scheduling of mining operations. The excavation of waste rock is timed so that we can utilise the materials as efficiently as possible in the backfill of the underground mine.

The waste rock is utilised in the underground mine backfill. Tailings are used as a building material in the dam raises of the tailings pond. We plan to increase the recovery rate of tailings, which is why we began using it as a mine backfill material in 2023. The mining waste is placed in its own mining waste areas: in the waste rock area and in the tailings pond. Unused tailings are disposed of in the tailings pond, which will be closed at the end of the operations in accordance with the mine closure plan. When the mine has been closed, no waste rock will be left in the waste rock

area, as it will be utilised in its entirety during the operations to backfill the mine. The utilisation of mining waste is presented in Figure 7, and the amounts accumulated and their utilisation rates are presented in Table 3.

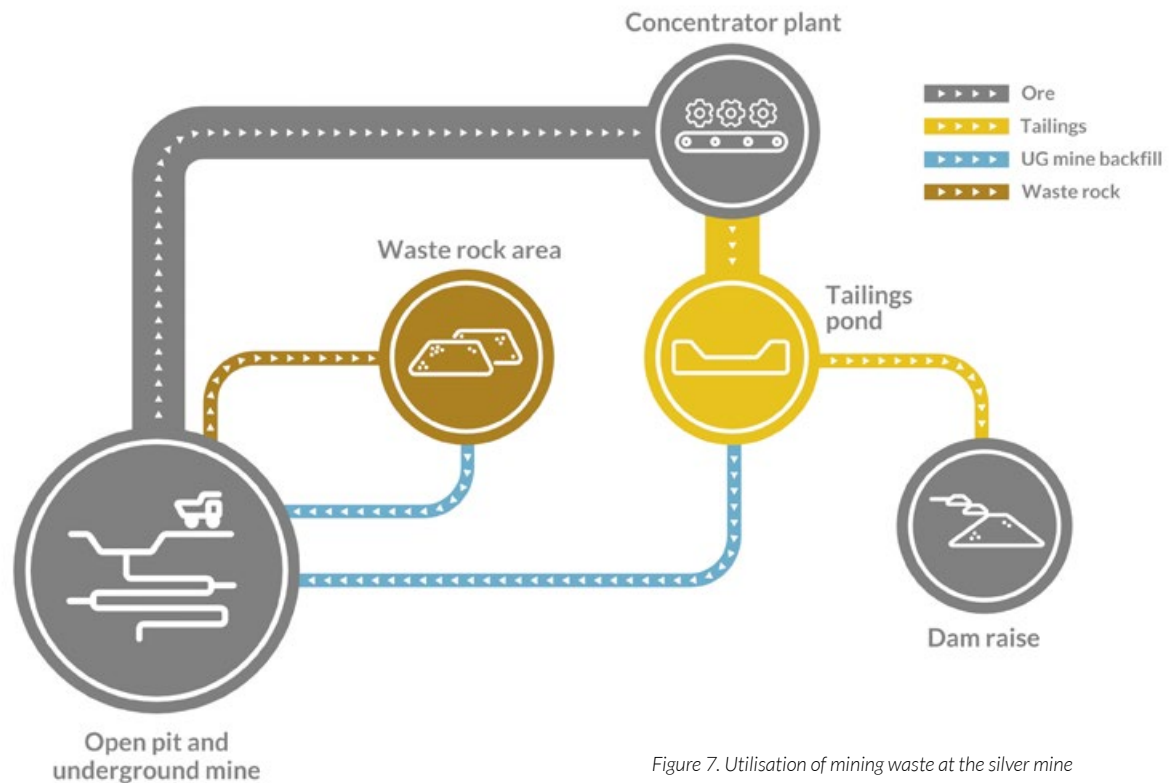


Figure 7. Utilisation of mining waste at the silver mine

	2022		2023	
	Waste rock	Tailings	Waste rock	Tailings
Quantity produced	368	611	197	459
Underground mine backfill	344	0	197	7
Dam raise	0	166	0	35
Quantity recovered	344	166	197	42
Utilisation rate (%)	94	27	100	9

Table 3. Quantities of mining waste (1,000 t) and the utilisation rate (%)

Other waste for recovery and final disposal

The recoverable waste materials generated at the silver mine are scrap iron and other recycled metal, mixed waste utilised as energy and clean wood waste. Construction waste that cannot be utilised as energy is directed to final disposal. Waste classified as hazardous consists almost entirely of waste oils and oily waste that is processed appropriately.

	2022	2023
Recycled metals	233	134
Mixed waste to energy and clean wood waste	97	64
Construction waste	22	62
Waste classified as hazardous	17	29

Table 4. Other waste generated in the mine for recovery and final disposal (tonnes a year)

Promotion of the circular economy

Sotkamo Silver’s goal is to minimize the amount of waste generated in its operations and to use natural resources efficiently. We follow the key principles of the circular economy, and our most significant actions to promote it are presented in Table 4.

Aspect	2023
Closed loop	<p>A significant increase in the share of recycled water used in production</p> <p>The utilisation of waste rock in underground mine backfill</p> <p>Use of tailings as a building material for dam raises and underground mine backfill</p>
Resource efficiency	<p>Optimisation of mine ventilation and heating</p> <p>Sale of pyrite concentrate</p>
Utilisation of an industrial by-product	<p>Use of a circuit board manufacturing by-product as a flotation chemical</p>

Table 5. Examples of promoting the circular economy

Sale of pyrite concentrate

The ore mined at the Sotkamo Silver mine contains 3 to 5 % pyrite, a sulphur-rich mineral. Pyrite concentrate is one of Sotkamo Silver’s products, which is the result of a three-stage concentration process. During the first stage, the precious metals and galena are separated by flotation from the ground ore. During the second stage, sphalerite containing silver is separated from the ore. During the last stage, the sulphur-containing minerals, pyrite and pyrrhotite, are separated to pyrite concentrate, which also contains some gold and silver.



The pyrite concentrate production has several benefits. The three-stage concentration process enables removing the mineral with the highest sulphur content from the tailings. This reduces the environmental risks of piled tailings during mining and increases their recovery potential.

Pyrite is used as the main raw material in the production of sulphuric acid and as a consumable material in copper, lead and nickel smelters, for example. 75% of the pyrite concentrate produced by Sotkamo Silver was sold as a consumable material to smelters in 2023. The sales of pyrite concentrate increased significantly in 2023, amounting to 9,300 tonnes. In the previous year, the sales amounted to 190 tonnes.

Water management

The water circulation diagram of the silver mine is presented in Figure 8. Around 75% of the water discharged into the open pit and underground mine is pumped directly out of the mine and treated, while 25% is used in production in the concentrator plant. Around 90% of the water used in concentrate production is recycled water from the process water cycle, which is pumped back to the concentrator plant from the pond area after piling the tailings and settling the water. The drainage water used in the process and the water returned from the pond area are classified as in-

ternal recirculation water. The latter is used as the basis for determining the mine water recycling rate presented in Figure 9. The amount of lake water used in production is low. Furthermore, the amount of water taken into the process water cycle has reduced significantly in recent years.

The water discharged from the mine is treated to minimise environmental impacts on natural waters.

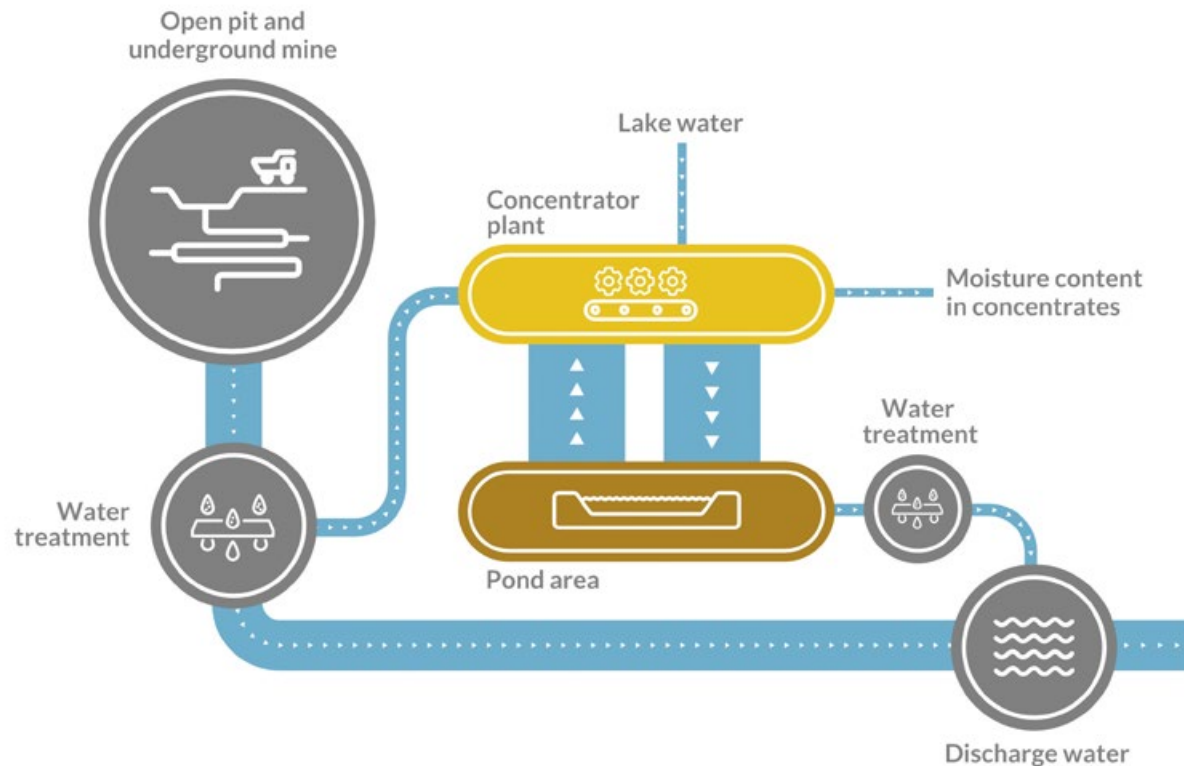


Figure 8. Water circulation diagram of the silver mine

Recycling rate of water used in production, %

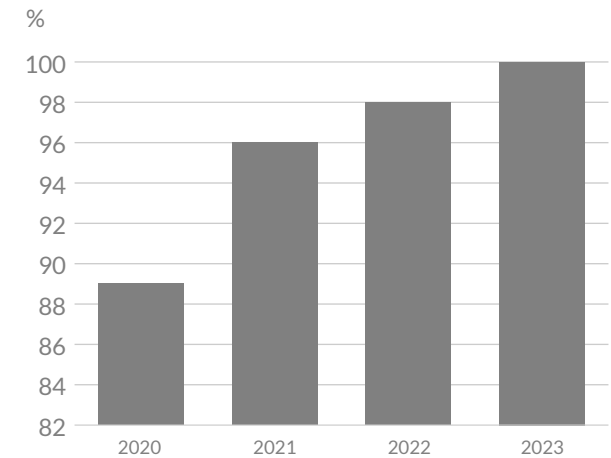


Figure 9. Recycling rate of water used in production, % (GWh).

Use of lake water in production

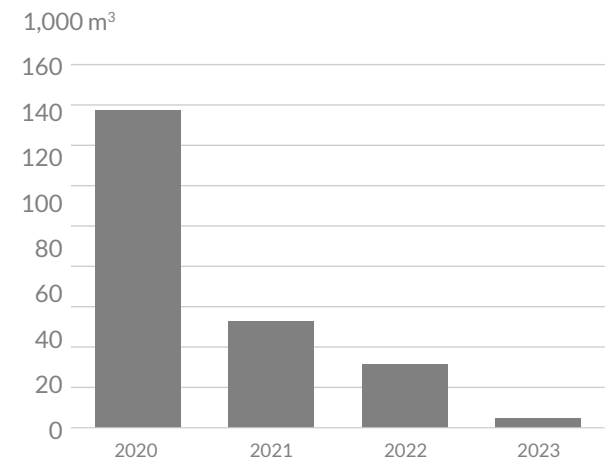


Figure 10. Use of lake water in production, 1,000 m³

Compliance with the environmental permit

The environmental authority supervises compliance with the environmental permit issued for the silver mine in 2020. Sotkamo Silver monitors the level of environmental protection in accordance with the monitoring programme. The company publishes a statement by a monitoring consultant on a monthly basis, as well as an annual environmental protection report. All these are available on the company's website.

In 2023, Sotkamo Silver reported three breaches of the permit limit. In addition, it reported five environmental deviations with no environmental impacts outside the mine. The limit set in the environmental permit concerning the load on water bodies was exceeded with regard to total nitrogen and phosphorus. In addition, the average sulphur content of the tailings slightly exceeded the annual limit. The phosphorus permit limit was also exceeded slightly. In contrast, the total nitrogen permit limit was exceeded significantly and the nitrogen emissions were higher than in the previous year. In 2022, the nitrogen emission permit limit was 12,400 kg, but as of 2023 it is 7,000 kg.

Measures to reduce nitrogen emissions, such as the commissioning of the bioreactor, have proceeded as planned. With the use of explosive and water management measures, together with nitrogen removal solutions, we will achieve the permitted nitrogen emission level in 2024.

Load	Permit limit	Actual level in 2023
Total nitrogen (kg/year)	7,000	14,370
Total phosphorus (kg/year)	40	41
Sulphur content of the tailings (%)	0.3	0.32

Table 6. Exceeded permit limits in 2023.



GOALS FOR 2024

In occupational safety, the goal is zero accidents. To achieve this goal, we will increase our commitment to safety training, practices, guidelines and rules.

We will comply with the environmental permit, focusing in particular on lowering the nitrogen and phosphorus load on water and the sulphur content of the tailings to the permitted levels.

We will upgrade the management systems for biodiversity, crisis management, climate change management and mine closure to Level A in the TSM Finland Mining Responsibility System.

We will implement ethical practices for our personnel and contracting parties.

We will increase the utilisation of tailings in the underground mine backfill and use 10% of the produced tailings as a backfill material.



The Board of Directors and the CEO also present Sotkamo Silver AB (publ) Sustainability Report for 2023. The sustainability report describes the Group's work based on economic, environmental and social aspects. The report has been prepared in accordance with the requirements of the Annual Accounts Act.

This is a literal translation of the Swedish original report

Auditor's report on the statutory sustainability report

TO THE GENERAL MEETING OF THE SHAREHOLDERS
IN SOTKAMO SILVER AB (PUBL), CORPORATE
IDENTITY NUMBER 556224-1892

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2023 on pages 18-31 and that it has been prepared in accordance with the Annual Accounts Act

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 2 April 2024

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorised Public Accountant

Board of Directors' Report

The Board of Directors and the CEO of Sotkamo Silver AB, business ID 556224-1892, with a registered office in Stockholm, Sweden, hereby issues the financial statements for the Group and the parent company for the financial year 2023.

THE YEAR IN BRIEF

- Sales revenue SEK 407 million (371).
- EBITDA SEK 140 million (53).
- EBIT SEK 67 million (-34).
- Profit for the year amounted to SEK 27 million (-28).
- Result per share SEK 0.10 (-0.14).
- Cash and cash equivalents increased to SEK 79 million (1).
- Investments amounted to SEK 46 million (61).
- During the year, 478,000 tonnes of ore were enriched, and the average silver grade was 105 g/tonne.
- During the year, Sotkamo Silver produced:
 - 1.41 million ounces of silver, equivalent to 44 tonnes
 - 3,048 ounces of gold
 - 909 tonnes of lead
 - 1,857 tonnes of zinc.
- The company hedged the gross proceeds from a share issue (EUR 3.4 million) and renegotiated the terms of its senior loan agreement to postpone the first amortisation (EUR 1.5 million) until March 2026.
- Cash flow from operating activities improved by SEK 98 million from last year. According to the company's estimate, its liquidity is adequate for at least the next 12 months of operations, including loan instalments and interest payments.
- The company continued infill drilling to enable cost-effective detailed planning for the coming years. On 27 December 2023, Sotkamo Silver updated the estimates of the silver mine's ore reserve. According to the estimates, the ore reserve amounted to a total of 1.45 million tonnes at the time of its launch, and with today's measured mineral resources, this is sufficient for approximately 7–8 years of mining.
- Core drilling in the underground mine and above ground totals more than nine kilometres.
- As per 31 December 2023, LTIFR totalled 15.

Operations

Mining

A new mining contractor started in January and after the first quarter ramp-up the operations were stabilized. Sotkamo Silver continues the work together with the mining contractor to develop the planning and processes of the underground mining to increase overall efficiency.

Moving the mining operations to deeper levels, between 360 and 420 meters, was gradually done during the beginning of the year as planned. New mining levels provided good silver grade ore that supported the higher silver production after the second quarter. Mine development has been ongoing at the same time as mining production and Company aims to gradually deepen the decline also during the coming years. This approach targets stable mine production in cost efficient manner.

The infill drilling has continued during the year on the underground mine and approx. 9 kilometers were drilled in total. These drilling results were used in Ore Reserve estimate and according to the estimate published in December the Ore Reserves of the Silver Mine amounts to a total of 1.45 million tons. The company believes that the amount of Ore Reserve and currently known Mineral Resources are sufficient for about 7-8 years of mining and those can be increased with in-fill and exploration drilling planned for 2024 and 2025.

Research and development

Operational development in 2023 was concentrated on continuing the decline extension gradually deeper as well as continuing the in-fill drilling. As a part of nitrogen emission reduction actions, the silver mine's water treatment was supplemented with a nitrogen removal bioreactor in December. Together with other nitrogen reduction activities the Company expects to meet the current nitrogen emission permit limits in 2024. Improving the sustainability of the operations has been key focus

has been on Towards Sustainable Mining standard. In the end of 2023 Company's operations are at level A in four of the protocols: tailings management, water management, occupational health and safety and stakeholder cooperation. The target is to reach level A in a further four protocols during 2024.

Result

EBIT for 2023 was SEK 67 million (-34). Profitability increased significantly, driven by a higher head grade, higher silver price, improved efficiency in mining operations, lower energy prices and lower mining volumes. The cost control measures initiated the previous year have had a positive impact on the company's operating costs.

We have also incurred costs for development work. Prior to the year, the company set a goal of producing 1.4–1.5 million ounces of silver. During the year, 478,000 tonnes were processed, and 1.41 million ounces of silver was produced. The company also achieved its other objectives in line with the guidance: The EBITDA margin was 34% (target 28%) and the net debt-to-EBITDA ratio was 1.5 (target below 2.5).

Changes in management

No changes took place in management.

2023 and beyond

In 2024, the focus will be on maintaining the company's profitability and continuing the work to improve future success factors, including extending the Life-of-Mine (LOM), carrying out exploration in the Kainuu area and ensuring the sustainability of operations. The required drilling for the LOM extension will start in 2024 and continue in 2025. Based on the drilling results, the target is to increase the LOM to 2035 by the end of 2025. Sotkamo Silver will also continue activities to enable exploration in the broader Kainuu area. Using modern modelling tools to analyse existing research data, the company aims to identify the exploration areas with the greatest potential in the Kuhmo-Suomussalmi greenstone belt

and plan for more detailed exploration activities in those areas.

Changes in equity

The company carried out a new share issue that improved the company's equity by SEK 28 million.

Events after the reporting period

No significant events have materialized after the reporting period.

Other information

Employees

As of 31 December 2023, the Group employed 47 people.

Remuneration of senior executives

The primary purpose of remuneration is to attract, retain and motivate people and provide a competitive remuneration package. To ensure that remuneration is in line with the interests of shareholders, remuneration is based on the achievement of specific individual targets. The company's remuneration levels are systematically compared to the industry's general remuneration practices and long-term incentive programmes based on the development of the company's objectives.

The 2023 Annual General Meeting renewed the guidelines that essentially mean the company will offer its management team market-based remuneration, enabling the company to recruit and retain qualified employees. Remuneration can consist of the following components: (i) a fixed base salary, (ii) variable remuneration, (iii) pension benefits and (iv) other customary benefits. Variable remuneration is based partly on the profit targets set for the company as a whole and partly on the tar-

gets achieved by the individual. Variable remuneration may not exceed 25% of the fixed salary. Pension benefits are contribution-based and can amount to a maximum of 20% of the base salary.

The Board was also authorised, under special circumstances, to deviate from these remuneration guidelines in individual cases. Should this take place, information about the reasons for the deviation must be provided at the following Annual General Meeting.

In 2023, the company has complied with the guidelines for remuneration adopted by the Annual General Meeting, with the exception of the CEO's variable salary as a percentage of the fixed base salary. Based on exceeding the targets defined in the Company's incentive program, the Board of Directors resolved to deviate from the guidelines with regard to the CEO's variable salary. The company's incentive programs consist of production, financial and sustainability targets. Since the above-mentioned targets were exceeded in 2023 and since the CEO's work was considered to be a significant contributing factor in this exceeding of the targets, and in order to work for the company to succeed in retaining valuable executives, the Board of Directors considered that there were special reasons for the deviation in order to serve the Sotkamo Silver Group's long-term interests, including sustainability, and to ensure the Group's financial viability. Due to the deviation, the variable salary to the CEO for 2023 amounted to approximately 30 percent of the fixed base salary, compared to the ordinary guideline of a maximum of 25 percent.

Proposal on guidelines for senior executives for the 2024 Annual General Meeting

The Board's proposed guidelines concerning the salary and other remuneration of company management for the General Meeting on 23 April 2024 is in accordance with the provisions in chapter 8 of the Companies Act.

A successful implementation of Sotkamo Silver's business strategy and the safeguarding of Sotkamo Silver's long-term interests, including its sustainability, requires that Sotkamo Silver is able to offer its senior executives market-based remuneration that enables the Group to recruit and retain qualified employees. Company management and senior executives include the CEO and other members of the management team. The guidelines do not cover remuneration decided by the Annual General Meeting such as the remuneration to the members of the Board of Directors.

The remuneration to the company management may consist of the following components: (i) a fixed base salary, (ii) variable salary, (iii) pension benefits, (iv) customary benefits.

Variable salary is based on the achievement of profit targets set for the company as a whole and on the targets achieved by the individual and the completion of specific projects

Variable salary may not exceed 40% of the fixed base salary. Pension benefits are contribution-based and can amount to a maximum of 20% of the base salary.

In the case of termination by the employer, the notice period is a maximum of six months, and in the case of termination by the senior executive, the notice period is three months.

The Board of Directors may decide to temporarily deviate from the guidelines in whole or in part if there are special reasons to do so in an individual case and a deviation is necessary to meet the long-term interests, including sustainability, of the Sotkamo Silver Group or to safeguard the Group's financial viability.

Parent company

The parent company's business consists of managing group-wide functions and handling stock market-related issues. The relevant figures can be found in the parent company's balance sheet and income statements.

Subsidiary

The parent company has a subsidiary in Finland whose business consists of administering group-wide functions.

Sustainability report

The statutory sustainability report in accordance with the Annual Accounts Act (ÅRL) comprises pages 18–31.

Amount in million SEK

Group	2023	2022	2021	2020	2019
Sales revenue	406.8	370.9	386.8	365.5	197.1
Other income	5.0	11.1	0.6	11.6	0.8
Result for the year	27.2	-27.8	-17.5	-46.7	-101.1
Balance sheet total	697.4	642.5	663.6	658.0	708.3
Result per share, before dilution (SEK)	0.10	-0.14	-0.09	-0.26	-0.75
Result per share, after dilution (SEK)	0.08	-0.14	-0.09	-0.24	-0.75
Equity per share, before dilution (SEK)	1.04	1.22	1.24	1.18	1.62
Equity per share, after dilution (SEK)	0.92	1.03	1.18	1.11	1.62
Equity/assets ratio, %	42.5	37.9	37.5	32.2	30.9
Quick ratio, %	105.2	46.4	27.2	68.7	33.3
Parent company					
Equity/assets ratio, %	69.2	83.6	92.5	89.4	88.2

Proposed allocation of the parent company's result, SEK

Share premium account	502,981,352
Retained earnings	-398,280,295
Result for the year	-171,949,091
	-67,248,034

The Board of Directors proposes that the share premium account, the retained earnings and the result for the year, totalling SEK -67,248,034, be carried forward.

Corporate Governance Report

As a limited liability company incorporated in Sweden, Sotkamo Silver AB is governed under the provisions of the Swedish Companies Act and its Articles of Association. The Board of Directors has responsibility for control and management of the company, and the chief executive officer holds the day-to-day responsibility. Shareholders participate in the control and management of Sotkamo Silver through actions taken at general meetings.

The Board of Directors at Sotkamo Silver AB sets the standard for the company's business. The importance of good corporate governance is implicit in this philosophy. It is the duty of the Board of Directors to serve as a prudent fiduciary for shareholders and to oversee management. To fulfil its responsibilities and to discharge its duty, the Board of Directors follows the procedures and standards that are outlined in the Swedish Corporate Governance Code and the Guidelines issued by NGM Equity stock exchange, Stockholm. Sotkamo Silver applied the Code in 2023, except that it does not have a Remuneration Committee. The Swedish Corporate Governance Code is based on the principle of comply or explain. This means that Sotkamo Silver does not always have to comply with every rule in the Code.

If the Company finds that a certain rule is inappropriate due to particular circumstances, it can choose another solution than that found in the Code. However, the company must clearly state that it has not complied with the rule, along with an explanation of the company's preferred solution and the reason for this. The company must also give an account of how it has applied the Code in an annual corporate governance report, including alternative solutions and the reasons for them. The company applies the Swedish Corporate Governance Code, except that it does not have a Remuneration Committee, as the Board believes that such committee work is so important that the entire Board is engaged in these issues. The Swedish Corporate Governance Code is available at bolagsstyrning.se.

The foremost aims of corporate governance are to promote an active and responsible ownership; to uphold a transparent and sound balance of power between owners, board and corporate management; and to ensure correct and accessible corporate information for the shareholders, the capital market and society.

The Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial circumstances can be adequately controlled and that external financial information such as interim Reports and annual reports are prepared in accordance with the relevant accounting standards, legal requirements and other rules and directives applicable to listed companies. Sotkamo Silver applies the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company has also chosen to report mineral resources and ore reserves according to the 2012 JORC Code.

Interim reports are issued by the CEO on behalf of the Board and examined by the Audit Committee and then by the Board as a whole. The CEO ensures that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner.

The Board ensures the quality of the Group's financial reporting and deals not only with the company's financial reports and significant accounting matters, but also matters related to internal control, compliance with rules, reliability of reported values, events after the balance sheet date, changes in estimates, judgments and other conditions that affect the quality of the financial statements.

Risks and risk management

Sotkamo Silver works continuously to assess and evaluate risks that the Group is, and may be, exposed to.

The CEO and the Board are responsible for specifying and implementing day-to-day risk management procedures and for ensuring that risks are taken into account in the Group's strategic planning.

The CEO coordinates risk management activities and risk reporting.

Sotkamo Silver divides its risks into three main categories: financial, operational and other risks.

Direct or indirect shareholdings in the company, representing at least one-tenth of the voting rights of all shares in the company

A list of the company's largest shareholders is available on page 9 and is updated on an ongoing basis on the company's website.

Nomination Committee

The Annual General Meeting adopts the following guidelines for the nominating process. The owner that holds the largest number of shares and voting rights, based on statistics from Euroclear Sweden AB on 31 August, appoints a Nomination Committee of three people after consultation with the three next biggest shareholders. The Nomination Committee for the 2024 Annual General Meeting comprises Tuomo Mäkelä, Vesa Heikkilä and Matti Saarikoski. Lawyer Peter Vennerstrand is the secretary of the Nomination Committee. Peter Vennerstrand receives initiatives and proposals and answers shareholders' questions regarding the Nomination Committee. The Nomination Committee's task is to present proposals to the Annual General Meeting regarding the number of Board members, the composition of the Board and fees payable to Board members as well as any special fees payable for Committee assignments.

The Nomination Committee presents proposals for the Chair of the Board and the Chair presiding over the Annual General Meeting and, where applicable, on auditors and their fees. The Chairman of the Nomination Committee is appointed by the Nomination Committee. The Nomination Committee's mandate continues until the appointment of a new Nomination Committee. If a member of the Nomination Committee leaves the Committee before its assignment has been completed, or if a material change occurs in the ownership after the appointment of the Committee, the Nomination Committee's composition is changed in accordance with the above principles.

Changes in the composition of the Nomination Committee are published on the company's website.

The Nomination Committee applied as a diversity policy rule 4.1 of the Code, according to which the Board is to have a composition appropriate for the company's operations, phase of development and other relevant circumstances. The Board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the Board. The Nomination Committee's proposals are publicly announced in connection with the publication of the notice of the Annual General Meeting. In connection with its assignment, the Nomination Committee is required to fulfil the duties which, according to the

Swedish Corporate Governance Code, are to be considered in the company's nominating process, and at the Committee's request, Sotkamo Silver must provide personnel resources, such as a secretarial function for the Nomination Committee, to facilitate the Committee's work. If required, Sotkamo Silver must also bear reasonable costs for external consultants, which the Nomination Committee deems necessary for the Committee to fulfil its assignment.

The Nomination Committee has met three times during the year and has also been in contact by telephone. Information on how shareholders can submit proposals to the Nomination Committee has been available on the company's website. The Nomination Committee's task is to ensure

that the Board is made up of members who together have the knowledge and experience that shareholders require from senior management. The Nomination Committee's work also includes preparing the election of auditor.

Extraordinary General Meeting 16 February 2023

The following decisions were made at the meeting: The Meeting decided on an amendment to the Articles of Association so the share capital is no less than SEK 274,000,000 and no more than SEK 1,096,000,000, on a reduction of the share capital by SEK 264,000,000, on a rights issue and directed issue of shares, and on a bonus issue.

Annual General Meeting 18 April 2023

The following decisions were made at the meeting: The income statements and balance sheets for the parent company and the Group for the financial year 2022 were adopted. The meeting decided that no dividend would be paid. The members of the Board of Directors and the CEO were discharged from liability for the financial year.

The meeting decided that the Board would consist of six members without deputies. Eeva-Liisa Virkkunen, Sixten Sunabacka, Jarmo Vesanto, Kimmo Luukkonen and Jukka Jokela were re-elected as Board members. Mauri Visuri was elected as a new member to the Board. Eeva-Liisa Virkkunen was re-elected as Chair of the Board.

The meeting decided to re-elect the auditing company PwC as the company's auditor until the end of the 2024 Annual General Meeting with authorised auditor Martin Johansson as auditor in charge until further notice. The meeting resolved to authorise the Board of Directors until the next Annual General Meeting to issue new shares or other financial instruments on one or more occasions. The authorisation is limited to correspond to a maximum dilution of 10% of the number of shares outstanding at the time of the first issue decided in accordance with the authorisation.

The company is governed by the General Meeting, the Board of Directors and the CEO in accordance with the rules and regulations of the law or

other statute.

The General Meeting is the company's highest decision-making body. The General Meeting elects the members of the Board of Directors; adopts the income statement and balance sheet; decides on the allocation of profits and discharge from liability for the members of the Board of Directors; and adopts the remuneration to the Board of Directors and the auditor, as well as the terms of remuneration for the company's senior executives.

The General Meeting authorises the Board of Directors to make decisions on matters that do not concern day-to-day operations. All the shares in Sotkamo Silver have the same voting rights, with one vote per share. All shareholders who are registered in the share register and who have notified the company of their participation in the meeting by the date specified in the notice have the right to participate in the company's meetings and vote their shares. Shareholders may also be represented by proxy at the meeting. The Board of Directors plays the main role in internal control and risk management.

Articles of Association

The Articles of Association regulate the company's operations, share capital, appointment and dismissal of Board members. The Board of Directors must consist of at least three and no more than seven members. The Articles of Association also regulate how and within which period notice of meetings must be given.

Board of Directors

The company's Board of Directors consists of six members. The work of the Board is led by Chair Eeva-Liisa Virkkunen. Sixten Sunabacka, Jarmo Vesanto, Kimmo Luukkonen, Jukka Jokela and Mauri Visuri are members.

Members of the Board Of Directors

The Board is elected at the Annual General Meeting for the period until the next Annual General Meeting.

The Board of Directors is responsible for the company's organisation and management. At the constitutive Board meeting immediately following

the Annual General Meeting, the Board adopts rules of procedure that regulate its work and responsibilities of the Chair in greater detail. The Chair leads the work of the Board and monitors the business through continuous dialogue with the CEO, who manages the day-to-day administration. The division of work between the Board of Directors and the CEO is stated in the CEO's instructions, which are adopted at the constitutive meeting of the Board of Directors.

Each year, the Board is required to hold at least six meetings, one constitutive and five regular Board meetings. At its regular meetings, the Board discusses the CEO's report on operations regarding the company's economic and financial position, the report on the subsidiary and the report on operations. In addition, it adopts interim reports and year-end reports and approves the annual report with proposals for profit allocation. The Board also reviews the rules of procedure, considers the budget for the coming year and decides on meetings and reporting for the coming year.

The Board of Directors plays the main role in internal control and risk management.

At the beginning of each year, the Board determines the themes to be addressed in addition to reviewing the business. Examples of such themes include interim reporting and budget work, visits to the mine and meetings with the auditor.

During the year, the Board held 23 board meetings. In addition, the Board of Directors has been in continuous contact about the company's operations and development. The year's board meetings mainly discussed

- the mining investment and cost monitoring
- cash flow monitoring
- financing.

Mauri Visuri participated in 11 board meetings, Jukka Jokela in 21 board meetings and the others in 23 board meetings.

Remuneration of the Board of Directors

Decisions on the remuneration to the Board are made by the Annual General Meeting. The Annual General Meeting on 18 April 2023 decided

that a total of EUR 143,400, excluding meeting fees, would be paid in remuneration to the Board of Directors and that the Chair would receive an annual remuneration of EUR 38,800, the Vice Chair would receive an annual remuneration of EUR 24,600 and the other Board members not employed by the Sotkamo Silver Group would receive an annual remuneration of EUR 20,000 each. In addition, it was decided that meeting fees of EUR 500 per meeting would be paid to each board member. A meeting fee of EUR 500 per meeting is paid to each member for work in the Audit Committee and other board committees.

Remuneration of senior executives

The primary purpose of remuneration is to attract, retain and motivate people and provide a competitive compensation package. To ensure that remuneration is in line with the interests of shareholders, remuneration is based on the achievement of specific individual targets. The company's remuneration levels are systematically compared to the industry's general remuneration practices and long-term incentive programmes based on the development of the company's objectives. The 2023 Annual General Meeting renewed the guidelines that essentially mean the company will offer its management team market-based remuneration, enabling the company to recruit and retain qualified employees. Remuneration can consist of the following components:

(i) a fixed base salary, (ii) variable remuneration, (iii) pension benefits and (iv) other customary benefits. Variable remuneration is based partly on the profit targets set for the company as a whole and partly on the targets achieved by the individual. Variable remuneration may not exceed 25% of the fixed salary. Pension benefits are contribution-based and can amount to a maximum of 20% of the base salary.

The Board was also authorised, under special circumstances, to deviate from these remuneration guidelines in individual cases. Should this take place, information about the reasons for the deviation must be provided at the following Annual General Meeting.

In 2023, the company has complied with the guidelines for remuneration adopted by the Annual General Meeting, with the exception of the CEO's variable salary as a percentage of the fixed base salary. Based on excee-

ding the targets defined in the Company's incentive program, the Board of Directors resolved to deviate from the guidelines with regard to the CEO's variable salary. The company's incentive programs consist of production, financial and sustainability targets. Since the above-mentioned targets were exceeded in 2023 and since the CEO's work was considered to be a significant contributing factor in this exceeding of the targets, and in order to work for the company to succeed in retaining valuable executives, the Board of Directors considered that there were special reasons for the deviation in order to serve the Sotkamo Silver Group's long-term interests, including sustainability, and to ensure the Group's financial viability. Due to the deviation, the variable salary to the CEO for 2023 amounted to approximately 30 percent of the fixed base salary, compared to the ordinary guideline of a maximum of 25 percent.

MEMBERS OF THE BOARD OF DIRECTORS



Eeva-Liisa Virkkunen

Chair since 2020 and member of the Board since 2018

Eeva-Liisa Virkkunen (b. 1957) holds a master's degree in economics from the Helsinki School of Economics. Eeva-Liisa is Vice Chair of the Board of West Railway Ltd and board member of Robit Oyj and Neova Oy, where she is also chair of the Audit Committee. In 2014–2020, she held the position of senior vice president, group finance and control at Metso Corporation in Helsinki. Previously she has been member of the Board of Directors of Destia, Finland, and has handled board duties in several companies of the Metso Group and Rettig Group in Finland.

Shareholding (own or related party): 0. She is independent in relation to the company and management and major shareholders of the company.



Jarmo Vesanto

Board member since 2013

Jarmo Vesanto (b. 1954) has a master's degree in geology and mineralogy from the University of Oulu. Jarmo has long and solid experience in the international exploration and mining industry. He was previously-business development director of Boliden Kylylahti, Polvijärvi in Finland and general manager – Finland of Altona Mining Finland.

Shareholding (own or related party): 0. He is independent in relation to the company and management and major shareholders of the company.



Sixten Sunabacka

Board member since 2020

Sixten Sunabacka (b. 1960) has a master's degree in forestry from the University of Helsinki and an eMBA from Aalto University. Sixten is the founder and managing director of SuFor Oy. He is the Chair of the Board of Directors of Oy Stockfors Ab and Oy Arbonaut Ltd. He is Vice Chair of Finland's Forest Museum Foundation and member of the board and partner of MW Forest Sense AB, Sweden. Sixten was previously managing director of Tornator Oyj, Finland. He has been manager of forest and bioassets for the Finnish government and has held several managerial positions in the UPM-Kymmene Corporation in Finland. Sixten has held various roles in board and management teams in the Finnish forest industry and has participated actively in national forest and environmental policy.

Shareholding (own or related party): 0. He is independent in relation to the shareholders of the company.



Kimmo Luukkonen

Board member since 2021

Kimmo Luukkonen (b. 1957) has a master's degree in mining engineering from the Helsinki University of Technology. Kimmo is senior adviser at X3 Advisors Group in Finland. Kimmo has a total of 35 years of experience in management positions in the mining industry in Finland and abroad. Kimmo was managing director of Pyhäsalmi Mine Oy in Finland in 2009–2020 and during the period 2001–2009 he held managerial positions in Inmet Mining Corporation in Turkey, Nalunaq Gold Mine A/S in Greenland and Tara Mines Ltd and Outokumpu Oyj in Ireland.

Shareholding (own or related party): 0. He is independent in relation to the company and management and major shareholders of the company.



Jukka Jokela

Board member since 2022

Jukka Jokela (b. 1954) has a master's degree in geology and mineralogy from the University of Turku. Jukka has long and comprehensive experience in the international exploration and mining industry. Jukka is the managing director and founder of Joexco Oy, Finland; senior advisor at FinEx Metals Ltd, Canada; and board member of Endomines Oyj, Finland. He was previously CEO of Anglo American Sakatti Mining Oy, Finland; VP Finnish operations of Northland Resources AS, Norway; and CEO of Northland Mines Oy, Finland. Jukka has also held various senior positions at Store Norske Gull AS, Norway; Polar Mining Oy, Finland; and Outokumpu Mining Oy, Finland.

Shareholding (own or related party): 0. He is independent in relation to the company and management and major shareholders of the company.



Mauri Visuri

Board member since 2023

Mauri Visuri (b. 1957) has a master's degree in economics from the University of Vaasa and a degree in mechanical engineering. Mauri is the CEO and chair of the board of Teknoventure Oy. Mauri has been active in the financial and capital markets for several years and has extensive experience in the mining and process industry. In addition, he has held twenty-five positions as board member (chair or member) of listed and unlisted companies. Mauri has been CEO of four different companies since the late 1980s.

Shareholding (own or related party): 105,957 through companies. He is independent in relation to the company and management and major shareholders of the company.

COMPANY MANAGEMENT



Mikko Jalasto
CEO and managing director of Sotkamo Silver AB and Sotkamo Silver Oy since 2022

Mikko Jalasto (b. 1976) has a MSc (Eng.) from the University of Technology in Helsinki. Mikko has strong industrial experience gained both in Finland and abroad.

Mikko worked as Chief Operating officer (COO) from January 2021 before becoming CEO.

Shareholding (own or related party): 250,000.



Tommi Talasterä
Group Chief Financial Officer (CFO) since 2021

Tommi Talasterä (b. 1973) has a master's degree in business administration from Hanken School of Economics in Helsinki. Tommi has over 20 years of experience in managerial positions in finance in both the mining and service sectors.

Shareholding (own or related party): 187,500.



Arttu Ohtonen
Chief Sustainability Officer (CSO) since 2021

Arttu Ohtonen (b. 1983) has a MSc (Eng.) in process and environmental engineering from the University of Oulu. From 2012, Arttu worked as the subsidiary's Environmental Manager.

Shareholding (own or related party): 25,000.



Pasi Määttä
Chief Operating Officer (COO) since 2022

Pasi Määttä (b. 1970) has a MSc (Eng.) from the University of Oulu. Pasi has over 20 years of experience in various positions in the mining and process industry. Pasi worked as a mine manager from September 2021 before becoming the Chief Operating Officer (COO).

Shareholding (own or related party): 56,117.

Committee work

Audit Committee

The Audit Committee consists of Eeva-Liisa Virkkunen and Kimmo Luukkonen. During the year, the Committee held eight meetings. Eeva-Liisa Virkkunen participated in each committee meeting and Kimmo Luukkonen participated in five committee meetings. The Committee mainly reviews and examines the quarterly reports, but also ensures the company's internal control, primarily regarding the financial statements. In 2023, the Committee and companies followed the same IFRS accounting rules as in the previous year, which the Company is required to apply. The auditor attended seven of the Audit Committee's meetings during the year.

The Audit Committee's tasks include:

- monitoring financial reporting and ensuring its reliability
- ensuring the effectiveness of the internal control system
- planning and determining the scope of and following up on the year's external audit
- providing assistance to the Nomination Committee regarding the proposal for auditor
- monitoring the external auditor's impartiality and independence in relation to the company, including the extent to which the auditor provides the company with services other than auditing.

Remuneration Committee

The Remuneration Committee consists of the entire Board of Directors. All matters relating to the remuneration of employees in the Group are considered to be of the utmost importance. Thus, the Board of Directors is of the opinion that these matters are best addressed by the Board as a whole together with the CEO.

Technical Committee

The Technical Committee consists of the entire Board of Directors. All matters relating to exploration and mining are considered to be of the utmost importance. Thus, the Board of Directors is of the opinion that these matters are best addressed by the Board as a whole.

Internal control

Definition of internal control

Internal control is the process influenced by the Board of Directors, management and other personnel designed to provide the Board of Directors with reasonable assurance that the company's targets are achieved in the following areas:

- purposeful and efficient operations
- reliable financial reporting
- compliance with applicable laws and regulations.

A description of how internal control over financial reporting is organised.

Control environment

The foundation for internal control over financial reporting is laid by the control environment, including the organisation, decision paths, powers and responsibilities. This has been documented and communicated in governing documents such as internal guidelines, manuals and codes, including, for example, the division of tasks between the CEO and the other bodies established by the Board, as well as instructions for authorisation and accounting and reporting instructions. The Company works actively on risk assessment and risk management to ensure that the risks to which the company is exposed are managed within the established framework.

In the risk assessment, attention has been paid to matters such as significant balance sheet and income statement items, where the risk of material error could arise. Control activities are carried out monthly based on this risk assessment, both in the form of preventive guidelines and observation reconciliations.

Information and communication

Guidelines and manuals are continuously updated and communicated internally within the Group.

Follow-up

The Board receives monthly financial reports and discusses the financial situation of the company and Group at each Board meeting.

In 2023, special emphasis was placed on the follow-up of the liquidity forecast and profitability development. Production has been a particular focus, with follow-ups of revenues and costs as well as liquidity forecasts.

Evaluation and position regarding a special internal audit function
Due to the limited scope of operations, the Board of Directors is of the opinion that no special internal audit function is needed and that internal control can be performed through the organisation and working methods described above.

Audit

The company's auditors review the financial statements and the management of the company by the Board of Directors and the CEO.

The auditors are appointed annually by the General Meeting. The audit firm PwC was elected auditor at the Annual General Meeting on 18 April 2023, with Martin Johansson as auditor in charge, for the period until the end of the 2024 Annual General Meeting. Martin Johansson does not hold any shares in Sotkamo Silver AB. According to the resolution of the Annual General Meeting, reasonable audit fees shall be paid based on an invoice. In 2023, remuneration to the auditor amounted to SEK 2.0 million (1.6). During the year, the auditor participated in several meetings of the Audit Committee.

The company's auditor performed a general review of the interim report for the period January–June 2023.

RISK FACTORS

Sotkamo Silver operates in an international cyclical industry that is exposed to fluctuations in metal prices. The business affects the surrounding environment, and working environment and safety risks are associated with many of the processes. Sotkamo Silver has a strong focus on the environment and safety work. In general, the risks to which Sotkamo Silver's operations are exposed can be divided into operational and financial risks. These risks and Sotkamo Silver's approach to managing them are described below.

Risk	Risk description	Handling and comments for the year
Operational risks		
Mineral resources and ore reserve risk	<p>Estimates of mineral resources and ore reserves are inherently uncertain. Uneven distribution of metals in the mineralisation, density of drilling and samples, bias, inaccuracy and precision of sampling and analysis of the impact on the accuracy of the data used for interpolating the ore model. Consequently, the ore model and mining plans are best estimates and may contain misinterpretations and errors</p>	<p>Increasing the confidence level of mineral resources and ore reserves through continuous exploration, mining facility and development mitigates the risk and ensures the long-term viability of operations. Sufficient drilling and use of industry best practices in combination with quality assurance and quality control practices minimise the risk of data-driven errors in estimates.</p>
Environmental risk	<p>Environmental risk management and risk assessment consider both inherent and external environmental risks. Inherent risks are direct risks in mining operations. External risks include, for example, climate change and extreme weather conditions that could affect the mining area.</p> <p>The results of mining operations have a direct impact on the environment. The mining process generates waste that must be disposed of.</p> <p>Depending on the enrichment processes, the waste itself may contain chemicals that give rise to additional environmental requirements. Releases into water can be in the form of residual chemicals from wet enrichment, leakage of water from mine passages containing residues of explosives, soot, dust and waste oil.</p>	<p>The company has invested in the latest technology for water treatment and disposal sites in dams, and the facilities exceed the authorities' requirements. Extreme weather conditions have been taken into account in the planning of environmental investments. Water quality is sampled on an ongoing basis. Work on emissions is based on risk analyses, ongoing control and maintenance. The company is in regular contact with the licensing authorities.</p>
Occupational health and safety risks	<p>Mining work is carried out in a demanding environment. The operations involve handling heavy machinery, vehicles and blasting that can injure workers. Accidents can occur and if they do, they will have a direct impact on the company's opportunities and value.</p>	<p>The company has invested in the development of safety culture and employs both a mine foreman and an HSE expert. In addition, the HSEQ manager is a certified mine safety officer. In order to minimise the risks associated with the underground mine, systematic safety audits are carried out. In addition, a review is carried out with the mine foreman, in which the working environment is also continuously surveyed. A follow-up of workplace accidents in relation to the hours worked is carried out at each Board meeting. The company's goal is to reach zero workplace accidents. Follow-ups also focus on any risks and their minimisation.</p>

Risk	Risk description	Handling and comments for the year
Financial risks		
Risk of skills supply	The company is dependent on qualified personnel in different positions. The ability to retain current personnel and recruit new employees is central to the company's future development.	The company is working continuously on being an attractive employer to help it retain and recruit qualified personnel. The company maintains good cooperation with recruitment and staffing companies. As regards service providers, the company chooses the best available partners with good credentials and a strong financial standing.
Risk of unplanned interruption of production	Large and highly developed machinery and equipment are used in mining operations. Unplanned interruptions can occur, for example, due to technical problems, injuries, accidents or strikes. This, in turn, can lead to delays and failure to reach production and cost targets.	Great emphasis is placed on training and maintenance as well as on identifying critical elements to minimise these risks during production. The company aims to minimise the total cost of the Group's damage risks. This is done by continuously developing damage prevention and damage limitation in the operations and by introducing and developing insurance solutions. The company has chosen to employ qualified personnel, most of whom have long experience in the position in question.
Supply of goods and services	All of the company's operations depend on the continuous supply of equipment, supplies and services. Suppliers' goods and service production as well as logistics chains for inbound and outbound deliveries are sensitive to external influences and disturbances.	The company works actively to reduce these risks by having several qualified suppliers in each category and area. In cases where only one supplier is available, the risk is reduced through safety stocks and by identifying alternative supply solutions. Preventive risk management takes place on a continuous basis, but the organisation's ability to quickly adapt is also important in the management of supply risks.
Permit risks	Sotkamo Silver currently has all the necessary permits in place for the Silver Mine. Delays in the authorities' processing of permits may affect the company's production volumes.	Finland is a politically very stable country, and the company has always maintained good communication with the relevant authorities to meet the requirements placed on the company.
Image risk	Negative publicity in national, local and/or social media and general opposition to the mining industry or the company itself. Deliberate media attacks.	Transparent communication and public relations with the media and other relevant stakeholders. Open and transparent information via press releases and the company's website.
Risk of losing social licence	The social licence and acceptance of businesses and mining by all stakeholders are critical to successful operations. Undesired environmental impacts, conflicts with local stakeholders or failures regarding health and safety may affect stakeholder acceptance.	A sustainable and responsible approach to environmental issues and impacts, as well as transparent and timely reporting, are key factors in maintaining the social licence and acceptance of the various stakeholders.

Risk	Risk description	Handling and comments for the year
Other risks		
Geopolitical risks	<p>Instability and the emergence of new geopolitically unstable areas can also disturb manufacturing and deliveries, affect the company's raw material and transport costs as well as exchange rates and metal prices, which in turn affect the Group's financial results.</p>	<p>The company closely monitors events that may have a negative impact on the macroeconomic or geopolitical factors affecting its markets.</p> <p>The conflict between Russia and Ukraine continues to pose a significant geopolitical risk during 2024. It has initiated a humanitarian crisis and given rise to greater risk exposures in capital flows, trade and commodity markets worldwide.</p> <p>Geopolitical tensions between NATO and Russia have long been high, and Russia's invasion of Ukraine has made relations between NATO and Russia more uncertain since the Cold War. These relations continue to be tested by the economic sanctions against Russia and the NATO countries' economic and military support for Ukraine.</p> <p>China's increased military presence in the South China Sea, technological progress and ongoing trade tensions with the USA have given rise to geopolitical tensions.</p> <p>The company works continuously on business continuity plans based on the possible consequences of such events.</p>
Cyber risks	<p>Various cyber risks ranging from identity fraud to attacks on the IT network and IT services and even process control systems have become increasingly common and may hit the company, causing financial damage and disruption to operations.</p>	<p>The company has taken steps to control the access and identity of the users who have access to the IT systems. Data networks are segmented and protected by security zones. In addition, virus protection, firewalls, and other technological methods for software and hardware are kept up to date, and best practices are applied to ensure cybersecurity. Staff are trained and kept aware of risks, and they alerted if the level of risk is found to be elevated.</p>
Pandemic	<p>Pandemics are large-scale outbreaks of infectious diseases that can greatly increase morbidity and mortality over a wide geographic area and cause significant economic, social and political disruption. The likelihood of pandemics has increased over the past century due to increased global travel and integration, urbanisation, land-use change, and greater exploitation of the natural environment. A pandemic can affect deliveries, the health of personnel, FX and metal prices in various ways.</p>	<p>The company has made plans to secure operations in the event of a pandemic.</p>

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Consolidated statement of comprehensive income

Amount in million SEK	Note	2023	2022
Net sales		406.8	370.9
Change in finished goods		-2.8	1.1
Other income		5.0	11.1
Total	2	409.0	383.0
Supplies		-172.4	-215.7
Other external expenses	3	-51.4	-71.4
Employee expenses	4	-45.4	-42.7
Depreciation and impairment	5	-73.1	-87.4
EBIT		66.7	-34.1
Financial income	6	0.7	35.4
Financial expenses	7	-37.4	-29.0
Net financial items		-36.7	6.3
Income after financial items		30.0	-27.8
Tax	8	-2.8	0.0
Result for the year		27.2	-27.8

Amount in million SEK	Note	2023	2022
Other comprehensive income			
<i>Items that may be reclassified to the income statement</i>			
Translation differences		-3.4	22.5
Cash flow hedges		0.5	0.0
Income tax on cash flow hedges		-0.1	0.0
Total comprehensive income for the year		24.2	-5.3
Comprehensive income for the year attributable to:			
Parent company's shareholders		24.2	-5.3
Result per share, before dilution (SEK)	16	0.10	-0.14
Result per share, after dilution (SEK)	16	0.08	-0.14
Total number of shares		285,758,153	200,366,211

Consolidated balance sheet

Amount in million SEK	Note	31 Dec. 2023	31 Dec. 2022
ASSETS			
Fixed assets			
Intangible fixed assets	9	0.3	0.3
Right-of-use assets	23	9.3	11.1
Tangible fixed assets	10	517.5	536.7
Deferred tax assets	8	0.0	0.0
Other non-current receivables	13, 25	33.6	36.4
Total fixed assets		560.7	584.5
Current assets			
Inventories		4.2	6.9
Trade receivables	25	37.6	39.0
Other current receivables	14, 25	8.2	6.3
Derivative instruments	28	0.5	0.0
Accrued income and prepayments	15	7.3	5.1
Cash and cash equivalents	19, 25	78.9	0.8
Total current assets		136.7	58.0
Total assets		697.4	642.5

Amount in million SEK	Note	31 Dec. 2023	31 Dec. 2022
EQUITY AND LIABILITIES			
Equity			
Share capital	16	275.5	274.9
Other contributed capital		236.3	212.5
Translation differences		15.0	18.4
Cash flow hedges		0.4	
Retained earnings		-258.1	-234.3
Result for the year		27.2	-27.8
Equity attributable to the parent company's shareholders		296.3	243.7
Total equity		296.3	243.7
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	17	226.4	240.4
Non-current lease liabilities	17	5.1	9.4
Non-current derivative liabilities	17, 25	4.1	1.8
Deferred tax liability		0.1	0.0
Provision for restoration of land	24	34.1	31.4
Total non-current liabilities		269.8	283.1
Current liabilities			
Interest-bearing liabilities	17	40.7	25.8
Current lease liabilities	17	5.4	5.6
Trade payables		53.8	64.8
Other current liabilities		3.8	0.9
Accrued expenses and deferred income	18	27.6	18.6
Total current liabilities		131.3	115.7
Total liabilities		401.1	398.8
TOTAL EQUITY AND LIABILITIES		697.4	642.5

Consolidated statement of changes in equity

Equity attributable to the parent company's shareholders

Amount in million SEK	Share capital	Other contributed capital	Translation differences	Cash flow hedges	Retained earnings incl. result for the year	Total equity
Opening equity on 1 Jan. 2022	274.9	212.5	-4.1	0,0	-234.3	249.0
Comprehensive income						
Result for the year					-27.8	-27.8
<i>Other comprehensive income</i>						
Translation differences			22.5			22.5
Total comprehensive income	0.0	0.0	22.5	0.0	-27.8	-5.3
Transactions with shareholders						
Share issue						
Issue costs						
Total transactions with shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Closing equity on 31 Dec. 2022	274.9	212.5	18.4	0.0	-262.1	243.7
Comprehensive income						
Result for the year					27.2	27.2
<i>Other comprehensive income</i>						
Translation differences			-3.4			-3.4
Cash flow hedges				0.5		0.5
Income tax on cash flow hedges				-0.1		-0.1
Total comprehensive income	0.0	0.0	-3.4	0.4	27.2	24.2
Decrease in share capital	-264.0				264.0	0.0
Bonus issue	260.0				-260.0	0.0
Share issue	4.6	23.7				28.4
Total transactions with shareholders	0.6	23.7	0.0	0.0	4.0	28.4
Closing equity on 31 Dec. 2023	275.5	236.3	15.0	0.4	-230.9	296.3

Consolidated cash flow statement

Amount in million SEK	Note	2023	2022
Operating activities			
EBIT		66.7	-34.1
Items not affecting cash flow	20	67.7	82.4
Interest paid		-17.7	-22.5
Taxes paid		0.0	0.0
Cash flow from operating activities before changes in working capital		116.8	25.8
Increase (-)/Decrease (+) in inventory		2.7	-1.6
Increase (-)/Decrease (+) in operating receivables		0.0	-8.1
Increase (+)/Decrease (-) in operating liabilities		-7.7	-2.7
Cash flow from operating activities		111.8	13.3
Investing activities			
Acquisition of intangible assets	9	0.0	-0.3
Acquisition of tangible fixed assets	10	-46.7	-60.6
Disposal of tangible assets		0.0	0.0
Increase in other financial assets		0.0	0.0
Cash flow from investing activities		-46.7	-60.9

Amount in million SEK	Note	2023	2022
Financing activities			
Share issue		38.6	0.0
Paid issue costs		-10.3	0.0
Amortisation of lease liabilities	17	-8.2	-16.6
Loans raised	17	0.0	82.9
Repayment of loans	17	-4.6	-55.0
Cash flow from financing activities		15.6	11.3
Cash flow for the year		80.7	-36.3
Cash and cash equivalents as at the beginning of the year		0.8	36.7
Foreign exchange differences in cash and cash equivalents		-2.6	0.5
Cash and cash equivalents as at the end of the year		78.9	0.8

Parent company income statement

Amount in thousand SEK	Note	2023	2022
Net sales	2	0.0	0.0
Other income	2	0.0	0.0
Total income		0.0	0.0
Supplies		0.0	-0.2
Other external expenses	3	-25.3	-5.9
Employee expenses	4	-3.2	-2.5
Depreciation	5	-0.1	-0.1
EBIT		-28.6	-8.6
Financial income	6	37.1	88.2
Financial expenses	7	-160.8	-371.6
Net financial items		-123.8	-283.4
Result before tax		-152.4	-292.0
Group contributions		-16.7	0.0
Tax for the year	8	-2.8	0.0
Result for the year		-171.9	-292.0

As the parent company has no transactions attributable to Other comprehensive income, no Statement of income has been prepared.

Parent company balance sheet

Amount in million SEK	Note	31 Dec. 2023	31 Dec. 2022
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Mining rights	9	0.0	0.0
		0.0	0.0
Tangible fixed assets			
Machinery and equipment	11	0.2	0.3
		0.2	0.3
Financial assets			
Shares in Group companies	12	174.9	174.9
Receivables from Group companies		128.8	136.9
Other non-current receivables	13	0.4	0.4
		304.0	312.2
Total fixed assets		304.2	312.4
Current assets			
Receivables from Group companies		16.5	126.3
Other current receivables	14	0.4	0.4
Accrued income and prepayments	15	0.1	0.4
Cash at bank and in hand	19	2.9	0.7
Total current assets		20.0	127.8
TOTAL ASSETS		324.2	440.3

Amount in million SEK	Note	31 Dec. 2023	31 Dec. 2022
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	16	275.5	274.9
Reserve account		16.1	16.1
		291.7	291.0
<i>Unrestricted equity</i>			
Share premium account		502.9	479.2
Retained earnings		-398.3	-110.3
Result for the year		-171.9	-292.0
		-67.2	77.0
Total equity		224.4	368.0
Provisions			
		0.0	0.0
Liabilities			
<i>Non-current liabilities</i>			
Long-term convertible loan	17	69.6	69.3
Total non-current liabilities		69.6	69.3
<i>Current liabilities</i>			
Trade payables		0.6	0.7
Short-term convertible loan	17	0.0	0.0
Other payables		28.1	0.8
Accrued expenses and deferred income	18	1.5	1.4
Total current liabilities		30.2	2.9
Total liabilities		99.8	72.3
TOTAL EQUITY AND LIABILITIES		324.2	440.3

Parent company change in equity

Amount in million SEK	Share capital	Reserve account	Share premium account	Retained earnings incl. result for the year	Total equity
Opening equity on 1 Jan. 2022	274.9	16.1	479.2	-110.3	660.0
Comprehensive income					
Result for the year				-292.0	
Other comprehensive income					
Translation differences					
Total comprehensive income				-292.0	-292.0
Transactions with shareholders					
Share issue					
Issue costs					
Total transactions with shareholders					
Closing equity on 31 Dec. 2022	274.9	16.1	479.2	-402.3	368.0
Comprehensive income					
Result for the year				-171.9	-171.9
Other comprehensive income					
Translation differences					
Total comprehensive income				-171.9	-171.9
Transactions with shareholders					
Bonus issue	260.0			-260.0	0.0
Share issue	4.6		34.0		-38.6
Issue costs			-10.3		-10.3
Decrease in equity	-264.0			264.0	0.0
Total transactions with shareholders	0.6		23.7	4.0	28.3
Closing equity on 31 Dec. 2023	275.5	16.1	502.9	-570.2	224.4

Parent company cash flow

Amount in million SEK	Note	2023	2022
Operating activities			
EBIT		-28.6	-8.6
Adjustment for items not included in cash flow	20	0.1	0.1
Interest paid		-5.9	-5.0
Other financial expenses		0.0	-2.3
Interest received		0.0	0.1
Taxes paid		0.0	-0.1
Cash flow from operating activities before changes in working capital		-34.4	-15.9
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		0.2	-0,3
Increase (+)/Decrease (-) in operating liabilities		8.4	2,0
Cash flow from operating activities		-25.9	-14,2
Investing activities			
Investment in tangible assets		0.0	-0,3
Loans raised		-0.3	-30.5
Cash flow from investing activities		-0.3	-30.8

Amount in million SEK	Note	2023	2022
Financing activities			
Share issue		38.6	0.0
Issue costs		-10.3	0.0
New loans raised		0.0	68.1
Repayment of loans receivable		0.0	-54.2
Cash flow from financing activities		28.4	13.8
Cash flow for the year			
Cash and cash equivalents at the beginning of the year		0.7	31.5
Foreign exchange gains/losses on cash and cash equivalents		0.0	0.3
Cash and cash equivalents at the end of the year		2.9	0.7

Notes to the financial statements

Note 1 Key accounting and valuation principles

GENERAL ACCOUNTING PRINCIPLES

Sotkamo Silver AB, business ID 556224-1892, is a limited liability company registered in Sweden. The company's registered office is in Stockholm, and the address is Nybrogatan 34, 102 45 Stockholm. Sotkamo Silver's share is listed on NGM Equity in Stockholm. The company has a secondary listing on NASDAQ Helsinki.

The company is the parent company of Sotkamo Silver Group, which engages primarily in mining and related activities.

The annual report was approved for issuance by the Board of Directors on 25 March 2024. The balance sheets and income statements will be presented for adoption by the Annual General Meeting on 23 April 2024.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU as well as interpretations by the IFRS Interpretations Committee (IFRS IC). Furthermore, the Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplemental Accounting Rules for Groups, which specifies the additions to IFRS disclosures required by the provisions of the Annual Accounts Act.

The parent company's accounting currency is the Swedish Krona (SEK), which is also the reporting currency for the Group and the parent company.

In the Group's accounting, items are measured at cost, with the exception of certain financial assets that are measured at fair value.

The parent company's accounting principles follow those applied by the Group except for the rules set out in the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The parent company's accounting principles are described under the heading Parent company's accounting principles.

The key accounting principles applied are described below. These principles have been applied consistently for the year presented, unless stated otherwise.

NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

The new standards that entered into force in 2023 did not have any significant impact on the Group's financial reporting nor any impact on the Group's result or financial position. The Group has not proactively applied new amended standards and amendments and interpretations of existing standards that have not yet entered into force.

ESTIMATES AND JUDGEMENTS

To prepare financial statements in accordance with the IFRS, assessments and assumptions must be made that affect the disclosed asset and liability amounts, income and expense amounts, and other

information disclosed in the financial statements. The estimates and judgements of the Board of Directors and management are based on past experience and forecasts of future development. The actual outcome may differ from these judgements.

Valuation of inventory

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

LEGAL DISPUTES

Sotkamo Silver regularly analyses and assesses outstanding legal disputes using external advisors to assess the need for provisions. See Note 22, Pledged assets and contingent liabilities.

RESTORATION RESERVE (ARO)

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

Provisions for reclamation are made based on an assessment of future costs on the basis of current conditions.

Provisions are reviewed regularly, and updates are made if necessary when assessments of useful life, costs, technical requirements, regulations or other conditions change. See Note 10, Tangible fixed assets and Note 24, Provisions for land restoration.

VALUATION OF FIXED ASSETS

Impairment tests for tangible and intangible assets are based on the company's internal business plan and assumptions about the future development of, for example, metal prices, smelting and refining wages and exchange rates. Changes in the market prices of metals, smelting and refining wages and exchange rates have a major impact on the Group's future cash flows and thus on estimated impairment.

Assumptions about the price development of metals, refining costs and exchange rates are made by company management with the support of external experts. Assumptions are reviewed annually and adjusted if required. For more information, see Note 10, Tangible fixed assets.

Capitalised preparations, facilities and equipment in mines are depreciated at the rate at which the ore extracted from the underlying mines is used, that is, using the unit-of-production method. The depreciation rates are based on ore reserves and the mineral resources that are expected to be extracted from these. In turn, these estimates are highly dependent on ore reserves and consequently, on matters such as expected future metal prices. Changing circumstances may cause changes in the future depreciation rate.

NOTE 1 CONTINUED

Fixed assets are depreciated based on the useful life of individual assets.

MINERAL RESOURCES

Sotkamo Silver's mineral resources are divided into the categories probable or proven. The assessment is based on geological measurements and assumptions explained in more detail on pages 14–15. Sotkamo Silver's assessment of the size of its mineral resources affects the annual depreciation costs and impairment tests.

ACCOUNTING PRINCIPLES

Consolidated financial statements

The consolidated financial statements comprise the parent company and all the companies over which the parent company exercises a dominant influence through direct or indirect ownership. Dominant influence refers to companies in which Sotkamo Silver has influence, is exposed to or is entitled to variable returns from its involvement, and can use its influence over the company to affect its return. This is usually the case if the ownership and voting rights exceed 50%. The existence and impact of potential voting rights, which are currently exercisable or convertible, are taken into account when assessing whether the Group can exercise a dominant influence over another company. Subsidiaries are included in the consolidated financial statements from the date on which a dominant influence is acquired, and divested companies are included in the consolidated financial statements until the date of divestment, that is, until the date on which dominant influence ceases.

The consolidated financial statements are prepared in accordance with the acquisition method, which means that the acquisition cost of a business is the fair value of the consideration issued (including the fair value of any assets, liabilities and equity instruments issued). The acquired identifiable assets, liabilities and contingent liabilities are recognised at fair value at the acquisition date. For each acquisition, a decision is made whether to recognise non-controlling interests at fair value or at the proportionate share of the acquired company's net assets. If necessary, the subsidiaries' accounts are adjusted to comply with the same principles applied by other Group companies. All internal transactions between the Group companies and Group holdings are eliminated when preparing the consolidated financial statements.

Translation of foreign subsidiaries and other foreign operations

The functional currency is the currency of the primary economic environment in which the subsidiaries operate. Upon consolidation into the reporting currency, the balance sheets of foreign subsidiaries are translated at the exchange rates prevailing at the end of the reporting period and the income statement is translated at the average rates of the reporting period. Accrued exchange differences and accumulated translation differences related to the translation of subsidiaries are reported under other comprehensive income.

Revenue recognition

The Group's revenue consists primarily of the sales of silver concentrates and by-products. Sales are recognised 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 related to the flotation concentrate, the transaction price is calculated based on preliminary data on the amount of concentrate, metal content and metal price, less reimbursement for treatment costs and contaminant content. Final invoicing takes place when all the input parameters (concentrate quantity, metal content and price, contaminant content, etc.) have been determined.

Any changes in the amount of concentrate and metal content in final invoicing are reported as net sales.

Silver concentrate is usually sold under pricing arrangements which means that the final price is determined based on quoted market prices for a specified period after the actual date of sale. Regarding these sales, the Group must estimate the transaction price to be received on the date of sale, considering relevant commodity market prices. Adjustments to the receivable due to changes in the quoted commodity prices are made up to the date of final pricing. These pricing arrangements are based on the market price of the commodity, and changes in the value of the receivable are not considered to constitute revenue from agreements with customers. Changes in the value of the receivable are reported under other operating income/expenses.

Revenue from activities that are not part of ordinary activities is reported under other income.

FINANCIAL INSTRUMENTS

Valuation principles

Fair value

Trade receivables are measured at fair value using market prices for metals from trading venues for metal derivatives, that is, the London Metal Exchange (LME) and the London Bullion Market Association (LBMA). The discount rates are based on current market rates per the currency and time to maturity of the financial instrument. Exchange rates are taken from the Riksbank, Sweden's central bank. Trade receivables are measured at level 2, that is, as instruments that are not traded in an active market but for which observable market data are used as the basis for the instrument's measurement (either directly or indirectly).

The fair value of other current receivables and trade payables is considered to be the same as the carrying value due to short maturity. The fair value of other financial instruments is assessed to be essentially the same as the carrying value.

The company uses electricity price fixing agreements to hedge the electricity price risk. Derivatives are initially recognised at fair value on the day the derivative contract is entered into and subsequently remeasured at fair value at the end of each reporting period. The recognition of subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if it is, the nature of the item being hedged. The company identifies certain derivatives as hedges of a certain risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging relationship, the entity documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of hedging instruments are expected to offset changes in the cash flows of hedged items. The company documents its risk management objective and strategy to complete its hedging transactions. The fair value of derivative instruments designated in hedging relationships was SEK 0.5 million at the end of the year.

NOTE 1 CONTINUED

The effective portion of changes in the fair value of derivatives that are designated and meet the conditions for cash flow hedges is recognised in the cash flow hedge reserve in equity. The gain or loss attributable to the ineffective portion is recognised immediately in the income statement, under other gains/(losses).

The cumulative amounts in equity are reclassified in the periods when the hedged item affects profit or loss.

Amortised cost

Amortised cost is calculated using the effective interest method. This means that any premiums or discounts as well as directly attributable costs or income are accrued over the term of the contract using the calculated effective interest rate. The effective interest rate is the interest rate that gives the instrument's acquisition value as a result of the present value calculation of future cash flows.

Classification and measurement category

Sotkamo Silver assigns financial instruments into the following measurement categories and classifies the instruments at amortised cost, fair value through profit or loss or fair value through other comprehensive income, see also Note 25. The classification depends on the characterisation of the instrument and the business model within which it is held.

Financial assets at amortised cost

Financial assets categorised as amortised cost include cash and cash equivalents and other long- and short-term receivables. These financial instruments are characteristically debt instruments held within a "hold to collect" business model with the purpose of receiving cash flows from payments of principal and any interest.

Cash and cash equivalents include short-term investments with a maturity of no more than three months from the date of acquisition that can easily be converted into cash. Financial instruments in this category are initially recognised at fair value plus transaction costs and in subsequent periods at amortised cost. The expected maturity of other current receivables is short, which is why they are recognised at nominal amount without discounting in accordance with the amortised cost method.

Sotkamo measures the future expected credit losses related to investments in debt instruments recognised at amortised cost based on forward-looking information. The Group chooses the provisioning method based on whether there has been a significant increase in credit risk.

Financial assets at fair value through profit or loss

Financial assets in this category consist of trade receivables arising from the sale of silver and from electricity price fixing agreements hedging the electricity price risk. These trade receivables are initially recognised at fair value with any transaction costs directly in the income statement. In subsequent periods, changes in fair value are recognised as other income. Further details are provided under "Revenue recognition", discussed above.

Financial assets are included in current assets except for items with maturities more than 12 months after the end of the reporting period, which are classified as non-current assets.

Convertible loans

Convertible loans are initially recognised at fair value and in subsequent periods at amortised cost. Where the convertible loan note has a separate equity component, the fair value of the debt component is determined using a discount rate based on the market rate of a loan with the same terms but without the share conversion right. The amount is recognised as a liability at amortised cost until the loan note is converted or matures. The conversion right is initially recognised as the difference between the fair value of the financial instrument as a whole and the fair value of the debt component. This is reported under equity net of tax.

At the beginning of April 2022, the company carried out a directed issue of convertibles with an aggregate nominal amount of up to EUR 6.4 million. The convertibles carry an annual interest of 8%. 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 that date. The conversion price is EURO 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 under the Black-Scholes model through profit and loss and a debt component that will be recognised at amortised cost using the effective interest method. At the inception date, the fair value of the conversion option was SEK 34 million and the fair value of the debt component was SEK 32 million. On 31 December 2023, the fair value of the conversion option was SEK 4 million and the fair value of the debt component was SEK 43 million. The changes in fair value recognised through profit and loss were: conversion option SEK -2 million, debt component SEK -6 million.

Recognition and measurement

Purchases and sales of financial assets are recognised on the business day – the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

However, liabilities to credit institutions are not recognised until the settlement date. A financial liability is derecognised when the obligation in the contract has been fulfilled or if significant parts of the loan terms have been renegotiated.

Other financial liabilities

Financial liabilities mainly consist of liabilities to credit institutions and trade payables. The expected maturity of trade payables is short, which is why they are recognised at nominal amount in accordance with the amortised cost method when the amount is considered to correspond to the fair value. Liabilities to credit institutions are initially measured as the funds received less any set-up fees and are later valued at amortised cost.

Interest expenses are recognised on an ongoing basis in the income statement except for the part that is included in the acquisition value of tangible fixed assets. Accumulated set-up fees are recognised directly for the loan to the extent that the loan agreement's underlying loan commitment has been utilised and is accrued in the income statement as other financial expenses over the contractual loan term.

NOTE 1 CONTINUED

Assets and liabilities in foreign currency

Receivables, liabilities and derivatives in foreign currencies are converted into SEK at the rate on the balance sheet date. Exchange differences from operating receivables and operating liabilities are included in EBIT. Exchange differences from other financial assets and liabilities, including any income, are recognised under financial items.

Government grants and subsidies

Government subsidies refer to aid and support, the purpose of which is to provide an economic advantage, while government grants provide companies with resources that can be allocated to an undertaking. Government grants attributable to assets are recognised either as deferred revenue or as an item reducing the carrying amount of the asset.

Intangible fixed assets

Intangible fixed assets include licences, other similar rights and exploration rights obtained in business combinations.

Separately acquired intangible assets are recognised at cost. Intangible assets acquired through a business combination are recognised at fair value on the acquisition date.

Intangible assets have a determinable useful life and are recognised at cost less accumulated amortisation and impairment losses. Other intangible fixed assets, excluding exploration rights, are amortised over an estimated useful life of 10 years. For exploration rights, see below.

Exploration rights and research and development costs related to exploration and evaluation assets

Sotkamo Silver's research and development mainly consists of exploration. The company also engages in the development of mining and concentration processes. Research expenditure is expensed when it arises. Where the economic potential has been determined for the extraction of a mining deposit, the expenditure is expensed up to this point. Exploration and evaluation assets are measured at cost. The following are examples of expenses that can be included in the acquisition cost of exploration and evaluation assets: acquisition of prospecting rights; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; and activities related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. Additional principles are described under tangible and intangible fixed assets. Exploration rights obtained in business combinations have been treated as intangible assets.

Tangible fixed assets

Land, plant and equipment and associated costs for development, preparatory production measures and future reclamation costs are recorded at acquisition cost less depreciation and any impairment.

Repair and maintenance costs are expensed, major improvements and replacements are capitalised.

Projected future costs for the dismantling and removal of a tangible asset and the restoration of the place or area where the tangible asset is located (reclamation costs) are capitalised. The capitalised amount consists of projected discounted costs which are simultaneously reported as provisions. The effects of subsequent events that result in costs exceeding the provision are discounted, capitalised as fixed assets and increased provisions and depreciated over the remaining life of the asset.

Deferred mining costs consist partly of waste rock excavation to access the ore body, and partly of

work related to infrastructure facilities, roads, tunnels, shafts and inclined drifts, as well as service, electricity and air distribution facilities. Costs for preparation incurred to expand mining capacity, develop new ore bodies and prepare mining areas for future ore production are capitalised.

DEPRECIATION POLICIES FOR TANGIBLE FIXED ASSETS

Depreciation is based on the acquisition cost and estimated useful life. Depreciation of an asset begins when it is put into service.

Facilities and capitalised values included in preparations are depreciated according to the unit-of-production method that is based on the ore reserves and partly on the mineral resource in the ore body. Depreciation is carried out to the estimated residual value. The estimated residual values and production capacity are regularly tested. Facilities that are not directly linked to production capacity are depreciated based on asset's expected life. The estimated useful life is based on the assumption that the necessary environmental permits can be obtained.

The following depreciation periods are applied to tangible fixed assets, including future reclamation costs: Preparations and capitalised restoration costs in parallel with metal extraction.

- Buildings 10 years
- Land improvements 10 years
- Machinery 5–10 years
- Equipment, tools and installations 10 years

Sotkamo Silver applies component depreciation, which means that larger process facilities are divided into sub-components with different useful lives and thus different depreciation periods.

IMPAIRMENT

On each reporting date, an assessment is made to determine whether there is any indication of impairment of the Group's assets. If this is the case, the asset's recoverable amount is calculated. Intangible assets are subject to annual impairment tests even if there is no indication of impairment. The recoverable amount of an asset is the higher of its value in use and the value received if the asset were sold to an independent party, calculated as the fair value less costs to sell. The value in use is the present value of all incoming and outgoing payments attributable to the asset during its expected use in operations, plus the present value of the net realisable value at the end of the asset's useful life. The period the asset is expected to be used is based on the assumption that the necessary environmental permits can be obtained. If the estimated recoverable amount is less than the carrying amount, a write-down is made to the asset's recoverable amount. Impairment losses are recognised in the income statement. Impairments are reversed if changes in the assumptions leading to the original impairment mean that the impairment is no longer warranted. Impairments are not reversed to such an extent that the carrying amount exceeds the value that would have been reported, after deduction of planned depreciation and amortisation, if no impairment had been made. Impairment reversals are recognised in the income statement. Goodwill impairment is not reversed. See also the section on Valuation of fixed assets.

NOTE 1 CONTINUED

LEASING**The Group leases various buildings, mining machinery, equipment for concentration plants and crushing plants.**

Leases are recognised as right-of-use assets and corresponding liability on the date on which the leased asset becomes available for use by the Group. Each lease payment is divided into debt amortisation and financial expense.

The financial expense must be distributed over the lease period so that an amount corresponding to a fixed interest rate for the liability reported in the respective period is allocated to each accounting period. The right of use is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets and liabilities arising from leases are reported initially at present value. Lease liabilities comprise the present value of the following lease payments:

- fixed fees (including fees that are fixed in substance), less incentive receivables
- guaranteed residual value that the lessee expects to pay to the lessor
- the exercise price of a call option, if it is reasonably certain that the lessee will exercise the option, and the lease payments are discounted at the implicit interest rate if it can be determined, and otherwise at the margin loan rate.

Right-of-use assets are measured at cost and include the following:

- the amount the lease liability was originally valued at SEK 71.6 million
- leasing fees paid on or before the commencement date, after deduction of any benefits received in connection with the signing of the lease
- initial direct expenses

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

Options to extend or terminate contracts are included in the asset and liability when it is reasonably certain that they will be exercised.

Terms are applied to maximise flexibility in the management of contracts.

TAXES

The tax expense (income) for the period comprises current tax and deferred tax. Taxes are recognised in the income statement, other comprehensive income or equity depending on where the underlying transaction has been recognised.

Current tax is the tax calculated on the taxable profit (loss) for the period. The taxable profit (loss) for the year differs from the reported profit (loss) for the year before tax in that it has been adjusted for non-taxable and non-deductible items as well as temporary differences. The Group's current tax is calculated according to the tax rates prescribed or announced at the balance sheet date.

Deferred tax is reported using the balance sheet method. According to it, deferred tax liabilities are reported in the balance sheet for all taxable temporary differences between the reported and fiscal values of assets and liabilities. Deferred tax assets are recognised in the balance sheet in respect of losses carried forward and all deductible temporary differences to the extent that it is probable that the amounts can be used to offset future taxable surpluses. The carrying amount of deferred tax assets is

tested at each closing date and reduced to the extent that it is no longer probable that sufficient taxable surpluses will be available. Deferred tax is calculated according to the tax rates expected to apply for the period in which the asset is recovered or the liability is settled. Both deferred and current tax assets and tax liabilities are offset when they are related to income tax levied by the same tax authority.

PROVISIONS

Provisions are recognised when the Group has or can be assumed to have an obligation as a result of past events and it is probable that payments will be required to fulfil the obligation. A further prerequisite is that it is possible to reliably estimate the amount to be paid.

When a significant effect arises as to the point at which a provision is made, the provision is measured at the present value of the amount expected to be required to settle the obligation. Here, a pre-tax discount rate is used that reflects current market assessments of the time value of money and the risks associated with the provision. The increase due to the passage of time is reported as an interest expense. Provisions are divided into a current and non-current part.

With the exception of pensions (see separate section), Sotkamo Silver's provisions primarily refer to reclamation costs that are expected to arise when an operation is discontinued. Provisions are also made for any remuneration payable upon termination of employment when an employee has received notice of termination or accepts voluntary redundancy. A provision and an expense are recognised in connection with a termination if Sotkamo Silver is obligated to either give notice of termination prior to the normal end of employment or provide remuneration to encourage early retirement.

CONTINGENT LIABILITY

A contingent liability is a potential liability arising from past events, the realisation of which depends on one or more uncertain future events. A contingent liability may also be an existing obligation that is not recognised in the balance sheet because it is unlikely that an outflow of resources will be required or because the size of the obligation cannot be reliably calculated.

SHARE CAPITAL

Ordinary shares are classified as share capital. Transaction costs related to a new share issue are reported as a deductive item, net of tax, from the issue proceeds received.

SEGMENT AND GEOGRAPHICAL MARKET INFORMATION

A small integrated organisation, Sotkamo Silver comprises a single segment for mining, concentration and exploration. Mining and concentration are located at the silver mine in the municipality of Sotkamo in Finland, and exploration is carried out by geologists at the silver mine.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company's annual financial statements have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued by the Financial Reporting Board. Under RFR 2, the parent company must, in the accounts for the legal entity, apply all EU-approved International Financial Reporting Standards (IFRS) and statements to the extent that this is possible within the framework of the Swedish

NOTE 1 CONTINUED

Annual Accounts Act and with due regard to the connection between reporting and taxation. The recommendation specifies the exceptions and additions to be made in relation to the IFRS. The differences between the Group's and the parent company's accounting principles are described under the headings below.

Financial instruments

The parent company does not measure financial instruments in accordance with IFRS 9. Measurement is based on the original value (see the Group's accounting principles). At the end of the year, the Group evaluated the loan granted by Sotkamo Silver AB to Sotkamo Silver Oy in view of the regulations of IFRS 9, which require interest-free loans to be evaluated. An impairment of SEK 116 million was recognised for the purpose of strengthening equity in the subsidiary. This does not affect the consolidated financial statements.

Subsidiary

Shares in subsidiaries are reported in the parent company in accordance with the acquisition value method. Transaction costs in connection with the acquisition of subsidiaries are reported as an expense in the consolidated financial statements, and in the parent company, they are reported as part of the acquisition value.

The value of subsidiaries and fixed assets is tested when there is an indication of impairment. The most important parameters in an impairment test of a subsidiary are the expected future free cash flow in the subsidiary and assumptions about the discount rate. In the applied forecasts, the key assumption for future profitability is based on estimated metal prices and production. The metal prices used in forecasts were: silver USD 23–26 per oz, zinc USD 2,493–2,800 per t, gold USD 1,950–2001 per oz and lead USD 2,093–2,130 per t. The EUR/USD rate used in forecasts was 1.06. Impairment testing did not show any indication of impairment.

Leasing

The parent company does not apply IFRS 16 for leasing but accounts for lease payments on a straight-line basis over the lease period.

FINANCIAL RISK MANAGEMENT

A group is typically exposed through its operations to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk, liquidity risk and cash flow risk.

To eliminate market risk as far as possible, Sotkamo Silver has set up certain goals, principles and methods.

The methods for doing this are to closely monitor developments on the cost side, metal prices and exchange rates and adopt measures without delay to eliminate the risks that may arise in the business. Monitoring is carried out by both management and the Board of Directors over the short and long term.

(a) Market risk

(i) Currency risk

The company's value development is affected by both metal prices and currency fluctuations.

Most of the company's operating expenses are in EUR and administrative expenses in SEK, while

revenue from future products is priced in USD.

The relationship between these currencies will affect the company's value development.

The subsidiary's loans and the parent company's convertible loans are in EUR, similar to the major costs. This reduces currency risk. The company continuously evaluates whether to hedge its currency risk.

During 2023, the euro strengthened against the Swedish krona, moving from 11.1283 at the beginning of the year to 11.0960 at the end of the year. This had a negative impact of SEK 2.7 million on the company's result. The strengthening of the euro reduced the company's assets by SEK 2.0 million and the company's liabilities by SEK 2.8 million.

(ii) Price risk

The Group is exposed to price risk related to the development of commodity prices. Currently, no hedging is in place for commodity prices.

(iii) Interest rate risk related to cash flows and fair values

(iv) Sotkamo Silver Oy has loans in EUR at variable interest rates. The company is exposed to interest rate risk due to changes in market rates. Sotkamo Silver Oy's borrowing in EUR amounts to SEK 223.6 million (229.0). An interest rate increase of 1% would increase interest expenses by approximately SEK 2.2 million (2.3).

(b) Credit risk

Credit and counterparty risk is the risk that the counterparty in a financial transaction fails to meet its obligations on the due date. Credit risk is managed at the group level and arises primarily through bank deposits, blocked bank assets and loan receivables. The Group only accepts banks, financial institutions and customers with high creditworthiness.

(c) Liquidity risk

Prudence in managing liquidity risk means holding sufficient cash and marketable securities to meet the liquidity needs created by the exploration business. In the current phase of operations, the Group strives to ensure liquidity through owner and loan financing. Management also closely monitors rolling forecasts of the Group's liquidity.

(d) Capital risk

The Group's objective regarding the capital structure is to secure the Group's ability to continue its operations so that it can generate returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to keep the cost of capital down.

GOING CONCERN

The company's management and Board of Directors monitor cash flows and cash flow forecasts for the coming year on an ongoing basis. The cash flow forecast includes expected production, costs and projected metal prices. If any parameter changes from the forecast, the Board and management will react to the extent possible to review the need for any external funding. The cash flow forecast indicated that the company was a going concern with a positive cash flow.

NOTE 1 CONTINUED

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The table below analyses the Group's financial liabilities, broken down by the time remaining until the contractual maturity date on the balance sheet date. The amounts included in the table are the undiscounted cash flows of the instruments. The amounts due within 12 months of the balance sheet date correspond to the carrying amount of the items because the discounting effect is insignificant.

Contractual maturities of financial liabilities as of 31 December 2023 (MSEK)	0-1 years	1-2 years	2-5 years	More than 5 years	Total contractual cash flows
Loans from credit institutions	13.0	13.0	35.6	0.0	61.6
Lease liabilities	5.8	3.8	1.7	0.0	11.3
Senior loans	27.7	44.4	89.9	0.0	162.0
Convertible loans	0.0	0.0	69.6	0.0	69.6
Trade payables*	53.8	0.0	0.0	0.0	53.8

*All trade payables are due in 2024

Contractual maturities of financial liabilities as of 31 December 2022 (MSEK)	0-1 years	1-2 years	2-5 years	More than 5 years	Total contractual cash flows
Loans from credit institutions	9.1	12.1	34.1	10.9	66.3
Lease liabilities	6.3	5.5	5.1	0.0	16.9
Senior loans	16.7	27.8	118.0	0.0	162.5
Convertible loans	0.0	0.0	69.3	0.0	69.3
Trade payables*	64.8	0.0	0.0	0.0	64.8

*All trade payables are due in 2023

EXCHANGE RATES

The following exchange rates have been used in this report for conversion from EUR to SEK.

	2023	2022
Rate at the balance sheet day	11.0960	11.1283
Average rate	11.4765	10.6317

Note 2 Income and fixed assets

Amount in million SEK	2023	2022
GROUP		
Net sales by geographic area and product		
Finland, Zinc-silver concentrate	33.5	83.0
Finland, pyrite	2.1	0.0
Sweden, Silver-lead concentrate	371.2	287.9
Total turnover	406.8	370.9
All concentrates have been sold to Boliden Commercial AB.		
Amount in million SEK	2023	2022
GROUP		
Fixed assets by geographic area		
Finland	517.3	536.4
Sweden	0.2	0.3
Summa fixed assets	517,5	536,7

Note 3 Auditors' fees and reimbursement of expenses

AUDIT FEE		
Amount in million SEK	2023	2022
GROUP		
<i>PwC</i>		
Audit assignment ¹⁾	1.2	1.3
Fees for audit-related consulting services ²⁾	0.0	0.0
Fees for tax consulting ³⁾	0.0	0.0
All other fees ⁴⁾	0.2	0.3
Total	1.4	1.6
PARENT COMPANY		
<i>PwC</i>		
Audit assignment ¹⁾	0.6	0.7
Fees for audit-related consulting services ²⁾	0.0	0.0
Fees for tax consulting ³⁾	0.0	0.0
All other fees ⁴⁾	0.1	0.1
Total	0.7	0.8

1) Audit fees consist of fees for the annual audit assignment and other audit services of the kind that can only be performed by the external auditor and include the audit of the consolidated financial statements and the statutory audit. PwC Sweden audit assignment 0.6 (0.7) MSEK and other fees 0.1 (0.1) MSEK.

- 2) Fees for audit-related consulting services consist of fees for statements and other assignments that are relatively closely related to the audit of the Group's and companies' annual reports and that are traditionally performed by an external auditor.
 3) Fees for tax consulting include fees for transfer pricing, charges for tax services, tax consultations and tax advice related to acquisitions, divestments and other projects as well as support for tax audits.
 4) All other fees - Fees for other services.

Note 4 Personnel

Average number of employees	2023	2022
PARENT COMPANY IN SWEDEN		
Men	0	0
Women	0	0
Total in parent company	0	0
SUBSIDIARY IN FINLAND		
Men	40	42
Women	6	9
Total in subsidiary	46	51
Group, total	46	51

Salaries, other remuneration and social security expenses in million SEK	2023	2022
GROUP		
Board of Directors, CEO and management (of which variable remuneration)	10.2 1.3	8.7 0.0
Other employees	27.4	26.4
Less capitalised payroll costs		0.0
Total	37.6	35.1
Social security expenses	1.2	1.4
Pension expenses	5.8	5.9
Less capitalised social security costs and pensions		0.0
Total	7.0	7.3
PARENT COMPANY		
Board of Directors	2.4	2.2
Other employees	0.0	0.0
Total	2.4	2.2
Social security expenses	0.0	0.0
Pension expenses	0.0	0.0
Total	0.0	0.0

NOTE 4 CONTINUED

REMUNERATION TO SENIOR EXECUTIVES 2023

Amount in thousand SEK	Gender	Base salary/ fee	Variable remunera- tion	Audit Com- mittee	Social security expenses	Pension expenses	Total expense
Eeva-Liisa Virkkunen, Chair of the Board	Female	586		46			632
Sixten Sunabacka, Vice Chair of the Board	Male	417					417
Jarmo Vesanto, Board member	Male	376					376
Kimmo Luukkonen, Board member	Male	370		29			399
Jukka Jokela, Board member	Male	364					364
Mauri Visuri, Board member	Male	222					222
Mikko Jalasto, CEO	Male	2,099	599		81	472	3,251
Other senior executives, 3	Male	4,399	736		153	898	6,186
Total		8,833	1,335	75	234	1,370	11,847

2022

Amount in thousand SEK	Gender	Base salary/ fee	Fee steering group	Social security expenses	Pension expenses	Total expense
Eeva-Liisa Virkkunen, Chair of the Board	Female	561	37			598
Sixten Sunabacka, Vice Chair of the Board	Male	398				398
Jarmo Vesanto, Board member	Male	345				345
Kimmo Luukkonen, Board member	Male	324				324
Jukka Jokela, Board member	Male	229				229
Karri Alameri, Board member	Male	218	27			245
Ilkka Tuokko, Board member	Male	115				115
Mikko Jalasto, CEO since 16 Septem- ber	Male	725		22	129	876
Erkki Kuronen, CEO until 16 Septem- ber	Male	1,968		60	351	2,379
Other senior executives, 3	Male	3,846		117	685	4,648
Total		8,729	64	199	1,165	10,156

BENEFITS OF SENIOR EXECUTIVES

Principles

The remuneration to the Board, including the Chair of the Board, is determined by the shareholders at the Annual General Meeting and applies to the period until the next Annual General Meeting.

Remuneration and benefits of the Board of Directors

The total remuneration paid to the Board of Directors for the financial year 2023 amounted to SEK 2.41 million (2.19).

Audit Committee

The members of the Audit Committee received EUR 500 per meeting, totalling SEK 75,000 (64,000) in 2023.

Remuneration and benefits of CEO

In 2023, remuneration to the CEO amounted to SEK 3.251 million (3.254). The CEO's variable remuneration, based on achieved performance targets, amounted to SEK 599,000 in 2023. The variable remuneration of other senior executives amounted to SEK 736,000 in 2023. Variable remuneration will be paid in 2024. The CEO and management have severance agreements from three to six months.

Pension plans

Group

Both the parent company and the subsidiary, Sotkamo Silver Oy, have defined contribution pension schemes.

Note 5 Depreciation and write-downs of tangible and intangible fixed assets

Amount in million SEK	2023	2022
GROUP		
Depreciation of intangible assets		0.0
Depreciation of tangible fixed assets	67.8	70.1
Depreciation of right-of-use assets	5.3	17.3
Write-down of intangible assets	0.0	0.0
Total depreciation	73.1	87.4
PARENT COMPANY		
Depreciation of tangible fixed assets	0.1	0.1
Write-down of intangible assets	0.0	0.0
Total depreciation and write-downs	0.1	0.1

Note 6 Financial income

Amount in million SEK	2023	2022
GROUP		
Exchange rate gains		2.5
Interest income	0.7	0.0
Fair value gains on debt instruments at fair value through the income statement	0.0	32.8
Total financial income	0.7	35.4
PARENT COMPANY		
Exchange rate gains	6.2	47.7
Interest income, Group	30.9	40.6
Total financial income	-1.1	88.2

Note 7 Financial expenses

Amount in thousand SEK	2023	2022
GROUP		
Exchange rate losses	3.5	3.6
Interest on restoration reserve	2.7	1.9
Interest on lease liabilities	0.6	1.1
Interest expenses	30.6	22.5
Total financial expenses	37.4	29.1
PARENT COMPANY		
Interest expenses, other*	122.7	367.4
Adjustments to interest on previous years' capital loans	38.1	0.0
Exchange rate losses	0.0	4.2
Total financial expenses	160.8	371.6

* Financial expenses mainly consist of a capital loan write-down of SEK 116.3 million (361.7)

Note 8 Income tax

On 31 December 2023, tax losses in the Group amounted to approximately SEK 78 million (165). The parent company has no tax losses. Deferred tax assets attributable to tax losses have not been included in the balance sheet.

GROUP

Amount in million SEK	%	2023	%	2022
Result before tax		30.0		-27.8
Tax according to the applicable tax rate of the Group	20.0	-6.0	20.0	5.6
Tax effect of				
Non-deductible expenses		-4.3		-10.2
Losses carried forward		16.3		5.4
Tax effect of net loss from operations not recognised as a deferred tax asset		0.0		-3.9
Increase in deferred depreciation in taxation		-5.4		-5.2
Other items		-0.6		8.3
Adjustment for previous years		-2.8		0.0
Reported current tax		-2.8		0.0

PARENT COMPANY

Amount in thousand SEK	%	2023	%	2022
Result before tax		-169.1		-292.0
Tax according to the applicable tax rate of the parent company	20.0	33.8	20.0	58.4
Tax effect of				
Non-deductible expenses		-23.3		-72.3
Non-taxable income		0.0		0.0
Losses carried forward		0.0		5.4
Tax effect of net loss from operations not recognised as a deferred tax asset				0.0
Adjustment for previous years		-13.4		0.0
Other items		0.8		8.5
Reported current tax		-2.8		0.0

EXPIRY YEAR OF LOSSES CARRIED FORWARD

Amount in thousand SEK	Group	Parent company
Losses excluding recognised deferred tax asset	77.5	0.0
Losses carried forward per expiry year		
2029	51.9	
2030	10.7	
2032 or later	14.9	
Without time limit	0.0	0.0
Total	77.5	0.0

Sotkamo Silver AB has been liable to pay corporate tax on its global income in Finland since 2021.

Note 9 Exploration rights and research and development costs related to exploration and evaluation assets

Amount in million SEK	2023	2022
Accumulated cost		
At the beginning of the year	50.4	50.4
Acquisitions during the year in parent company	0.0	0.0
Translation differences	0.0	0.0
Closing accumulated cost	50.4	50.4
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
At the beginning of the year	-50.3	-50.3
Depreciation for the year	0.0	0.0
Impairment for the year	0.0	0.0
Translation differences	0.0	0.0
Closing accumulated impairment	-50.3	-50.3
Carrying amounts	0.0	0.0

Note 10 Tangible fixed assets – Group

Amount in million SEK	Buildings and land	Machinery and equipment	Deferred mining costs	Work in progress	Total tangible fixed assets
Acquisition cost					
Opening balance on 1 Jan. 2022	189.5	213.5	270.0	0.0	672.9
Investments	0.2	14.8	46.6	0.0	61.5
Disposals and retirements	-1.1	-	-15.0	0.0	-16.1
Translation differences for the year	8.8	28.1	25.3	0.0	62.2
Closing balance on 31 Dec. 2022	197.3	256.3	326.8	0.0	780.5
Opening balance on 1 Jan. 2023	197.3	256.3	326.8	0.0	780.5
Investments	0.0	8.0	35.2	6.9	50.1
Disposals and retirements	0.0	-0.6	0.0	0.0	-0.6
Translation differences for the year	-0.3	-1.3	-2.1	-0.2	-3.9
Closing balance on 31 Dec. 2023	197.0	262.5	359.9	6.7	826.0
Depreciation					
Opening balance on 1 Jan. 2022	-27.3	-70.2	-58.9	0.0	-156.4
Depreciation for the year	-8.3	-30.1	-31.7	0.0	-70.0
Translation differences for the year	-2.4	-8.3	-6.6	0.0	-17.3
Closing balance on 31 Dec. 2022	-38.0	-108.5	-97.2	0.0	-243.8
Opening balance on 1 Jan. 2023	-38.0	-108.5	-97.2	0.0	-243.8
Depreciation for the year	-8.3	-31.1	-28.3	0.0	-67.7
Translation differences for the year	0.4	1.4	1.2	0.0	3.0
Closing balance on 31 Dec. 2023	-46.0	-138.2	-124.3	0.0	-308.5
Carrying amount, balance sheet 31 Dec. 2022	159.3	147.8	229.6	0.0	536.7
Carrying amount, balance sheet 31 Dec. 2023	151.1	124.3	235.6	6.7	517.5

Note 11 Tangible fixed assets – parent company

MACHINERY AND EQUIPMENT

Amount in million SEK	
Acquisition cost	
Opening balance on 1 Jan. 2022	0.0
Investments	0.3
Disposals and retirements	0.0
Closing balance on 31 Dec. 2022	0.3
Opening balance on 1 Jan. 2023	0.3
Investments	0.0
Disposals and retirements	0.0
Closing balance on 31 Dec. 2023	0.3
Depreciation	
Opening balance on 1 Jan. 2022	0.0
Depreciation for the year	-0.1
Closing balance on 31 Dec. 2022	-0.1
Opening balance on 1 Jan. 2023	-0.1
Depreciation for the year	-0.1
Closing balance on 31 Dec. 2023	-0.1
Carrying amount, balance sheet 31 Dec. 2022	0.3
Carrying amount, balance sheet 31 Dec. 2023	0.2

Note 12 Participations in Group companies

PARENT COMPANY

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
Accumulated cost		
At the beginning of the year	174.9	174.9
Closing balance	174.9	174.9
Carrying amount at the end of the year	174.9	174.9

The company's shares and participations in Group companies:

Subsidiary/Business ID/Registered Office	Number of shares	Proportion, %	Equity, million SEK	Book value, million SEK
Sotkamo Silver Oy 2029706-7, Sotkamo, Finland	180,000	100	-241.6	174.9

Shares in subsidiaries are reported in the parent company in accordance with the acquisition value method. Transaction costs related to the acquisition of subsidiaries are reported as an expense in the consolidated financial statements, and in the parent company, they are reported as part of the acquisition value.

The value of subsidiaries and fixed assets is tested when there is an indication of impairment. The most important parameters in an impairment test of a subsidiary are the expected future free cash flow in the subsidiary and the assumptions about the discount rate. In the applied forecasts, the key assumption for future profitability is based on estimated metal prices and production. The metal prices used in forecasts were: silver USD 23–26 per oz, zinc USD 2,493–2,800 per t, gold USD 1,950–2001 per oz and lead USD 2,093–2,130 per t. The EUR/USD rate used in forecasts was 1.06.

Impairment testing did not show any indication of impairment.

Note 13 Other non-current receivables

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
Blocked bank assets	33.6	36.4
Total non-current receivables	33.6	36.4

Subsidiary

SEK 33.2 million concern blocked bank funds for restoration reserve.

Parent company

SEK 0.4 million concern blocked bank assets for credit card.

Note 14 Other receivables

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
GROUP		
VAT receivable	6.8	5.0
Tax receivable	1.3	1.3
Other items	0.1	0.0
Total	8.2	6.3
PARENT COMPANY		
VAT receivable	0.2	0.1
Tax receivable	0.2	0.2
Other items	0.0	0.0
Total	0.4	0.4

Note 15 Accrued income and prepayments

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
GROUP		
Prepayments	7.3	5.0
Other items	0.0	0.0
Total	7.3	5.1
PARENT COMPANY		
Prepayments	0.0	0.0
Other items	0.1	0.4
Total	0.1	0.4

Note 16 Equity

The company has only ordinary shares. All the shares are fully paid. Each share entitles to one vote.

Result per share

Result per share is calculated by dividing the period's result attributable to the parent company's shareholders by the average number of shares

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
Result attributable to the parent company's shareholders	27.2	-27.8
Weighted average number of shares before dilution	285,758,153	200,366,211
Weighted average number of shares after dilution	322,340,553	236,948,611
Result per share, before dilution (SEK)	0.10	-0.14
Result per share, after dilution (SEK)	0.08	-0.14

Note 17 Interest-bearing liabilities

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
INTEREST-BEARING NON-CURRENT LIABILITIES, GROUP		
Loans from credit institutions	48.6	57.1
Lease liabilities	5.1	9.4
Derivative liabilities	4.2	1.8
Senior loans	134.3	145.8
Convertible loans*	43.5	37.5
Total	235.6	251.6
*See Note 1: Convertible loans		
Amount in million SEK		
INTEREST-BEARING CURRENT LIABILITIES, GROUP		
Loans from credit institutions	13.0	9.1
Lease liabilities	5.4	5.6
Senior loans	27.7	16.7
Convertible loans	0.0	0.0
Total	46.2	115.7

LIABILITIES, SUBSIDIARY

Loans from credit institutions	Interest rate	Amount in thousand EUR	Amount in million SEK
SP Optia	12-month Euribor +2.5%	41	0.5
Business Finland	Base rate minus 3% (always at least 1%)	5,514	61.2
OP Bank	3-month Euribor +1.75%	0.0	0.0
Senior loan	12-month Euribor +6.5%	14,600	162.0
Total		20,155	223.6

The company and the senior lenders entered into an agreement to amend the terms of the senior loan agreement by postponing the first amortisation (EUR 1.5 million that would have matured on 31 March 2023) to the closing date of the senior loan (31 March 2026).

LIABILITIES, PARENT COMPANY

Loans from credit institutions	Interest rate	Amount in thousand EUR	Amount in million SEK
Convertible loans	8%	6,402	69.6
Total			69.6

LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES GROUP

Amount in million SEK	Interest-bearing liabilities	Lease liabilities	Total
Total 1 January 2022	248.8	33.7	282.5
Cash flow	27.9	-16.6	11.3
Change in lease agreement	0.0	-1.2	-1.2
Convertible loan conversion	0.0	0.0	0.0
Other changes	23.2	0.0	23.2
Exchange rate differences	-33.8	-0.9	-34.7
Total 31 December 2022	266.2	15.0	281.2
Cash flow	-4.6	-8.2	-12.7
Change in lease agreement	0.0	3.5	3.5
Exchange rate differences	-0.8	0.1	-0.7
Other changes	6.4	0.0	6.4
Total 31 December 2023	267.1	10.5	277.7

Other changes in 2022 include the valuation of the option component of the convertible loan. The option component is reported under non-current derivative liabilities and is not included in interest-bearing liabilities in the balance sheet.

Note 18 Accrued expenses and deferred income

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
GROUP		
Accrued personnel costs, including social security contributions and board fees	0.0	5.3
Accrued interest expenses	12.6	9.8
Other items	15.0	4.9
Total	27.6	19.9
PARENT COMPANY		
Accrued interest expenses	1.5	1.4
Other items	3.0	0.9
Total	4.4	2.3

Note 19 Cash and cash equivalents

The item cash and cash equivalents comprises bank deposits.

Blocked bank assets are reported as financial fixed assets. The total assets in the blocked accounts amount to SEK 33.6 million.

Note 20 Items not included in cash flow

Amount in million SEK	Note	2023	2022
GROUP			
Adjustment for items not included in cash flow			
Depreciation and impairment of intangible assets	9	0.0	0.0
Depreciation of tangible fixed assets	10	73.0	87.3
The year's provision for land restoration.		0.0	0.0
Other items not affecting cash flow		-5.4	-5.0
		67.7	82.4
PARENT COMPANY			
Adjustment for items not included in cash flow			
Depreciation of tangible fixed assets	10	0.1	0.0
		0.1	0.0

Other items that do not affect cash flow mainly consist of exchange rate differences.

Note 21 Pledged assets, contingent liabilities and commitments

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
GROUP		
Contingent liabilities	10.2	None
Pledged assets		
Pledged property related to senior loans/bonds	174.9	174.9
Blocked bank assets related to bonds	0.0	0.0
Blocked bank assets for restoration	33.2	36.1
Blocked bank assets related to credit cards	0.4	0.4
Total pledged assets	208.5	211.3
Commitments		
Investment commitments related to tangible fixed assets	0.0	0.0
Commitments attributable to start of production ¹⁾	3.7	1.8
Total commitments	3.7	1.8
PARENT COMPANY		
Contingent liabilities	10.2	none
Guarantee regarding bond Sotkamo Silver Oy	174.9	174.9
Pledged assets		
Blocked bank assets related to credit cards	0.4	0.4
Total contingent liabilities and pledged assets	175.3	175.3

1) Related to the remaining part of the premiums for restoration insurance.

In 2022 and 2023, Sotkamo Silver AB accumulated unrealised exchange rate gains related to intra-group loans granted to Sotkamo Silver Oy, which Sotkamo Silver AB has reported in its financial statements. In a pre-emptive discussion, the Tax Administration was of the opinion that these unrealised exchange rate gains are taxable income in Finnish corporate taxation. The company does not share the Tax Administration's view and therefore applied for a preliminary ruling from the Central Tax Board for the financial year 2023. The Board decided that the foreign exchange gains are taxable. The company has appealed the advance ruling and the appeal is pending before the Supreme Administrative Court. The company believes it is likely that the Supreme Administrative Court will annul the Board's advance ruling and decide that the foreign exchange gains are not taxable.

The company filed a tax return for the financial year 2022 in accordance with the Tax Administration's view and will do so also for the financial year 2023. However, the company has requested a correction of the Tax Administration's tax decision for the financial year 2022 and has been granted a deferral of the tax payment. If the company wins the case in the Supreme Administrative Court, the exchange rate gains will be treated as non-taxable for 2022 and 2023.

If the Tax Administration's position wins, the company will pay a tax of approximately SEK 10 million for 2022 plus a late payment interest of 7%. In the financial year 2023, the tax effect is approximately SEK 0.2 million.

Note 22 Related party transactions

Group	2023	2022
Amount in million SEK		
RELATED PARTY RELATIONSHIP	service purchases	service purchases
CEO, through the company	0.0	0.0
Other senior executives	0.0	0.0
Total	0.0	0.0
Parent company sales to subsidiary		
Amount in million SEK		
Intra-group interest rates	30.8	40.6
Management fee	4.7	0.0
Total	35.5	40.6

All transactions were made at arm's length.

Note 23 Right-of-use assets

Right-of-use assets	Carrying amount	Carrying amount	Additional lease	Translation differences	Depreciation
Amount in million SEK	1 Jan. 2023	31 Dec. 2023			
Buildings	3.9	2.4	0.1	0.0	-1.6
Machinery and equipment	7.4	6.9	0.7	2.6	-3.8
Total	11.2	9.3	0.8	2.6	-5.3

Rent from low-value leases have been recognised in the income statement at SEK 0.2 million.

Right-of-use assets	Carrying amount	Carrying amount	Additional lease	Translation differences	Depreciation
Amount in million SEK	1 Jan. 2022	31 Dec. 2022			
Buildings	4.9	3.9	-0.1	0.4	-1.6
Machinery and equipment	24.7	7.4	-0.2	1.4	-15.7
Total	29.6	11.2	-0.3	1.8	-17.3

Amount in million SEK	2023	2022
Cash flow		
Cash flow from operating activities		
Interest paid	-0.6	-1.1
Cash flow from financing activities		
Amortisation of lease liabilities	-8.2	-16.6

For information about contractual lease liabilities, see Note 1.

Note 24 Provision for restoration of land

Amount in million SEK

Carrying amount at the beginning of the financial year	31.4
Additional provisions	2.7
Carrying amount at the end of the financial year	34.1

For a description of the reserve, see Note 1.

Note 25 Financial assets and liabilities

Amount in million SEK	31 Dec. 2023	31 Dec. 2022
FINANCIAL ASSETS		
<i>Financial assets are measured at amortised cost*</i>		
Other non-current receivables	33.6	36.4
Other receivables	8.2	6.3
Cash and cash equivalents	78.9	0.8
Total	120.7	43.5
<i>Financial assets measured at fair value through profit and loss</i>		
Trade receivables	37.6	39.0
Derivative	0.5	0.0
FINANCIAL LIABILITIES		
<i>Financial liabilities measured at fair value through profit and loss</i>		
Non-current derivative liabilities	4.1	1.8
<i>Liabilities measured at amortised cost*</i>		
Borrowing	267.1	266.3
Trade payables and other payables	57.6	65.7
Lease liabilities	10.5	15.0
Total	335.2	347.0

*Fair value approximates the value according to amortised cost

CHANGES IN THE CONVERSION OPTION COMPONENT IN THE CONVERTIBLE LOAN

Amount in million SEK	Derivative liabilities
Total 1 January 2022	0,0
Valuation of the conversion option component at the time of issue	34,6
Changes through profit or loss	-32,8
Exchange rate differences	0,1
Total 31 December 2022	1,8
Changes through profit or loss	2,3
Exchange rate differences	-0,1
Total 31 December 2023	4,1

The conversion option component of the convertible loan has been recorded at fair value using the Black-Scholes model through profit or loss.

Note 26 Proposed allocation of the parent company's result, SEK

Share premium account	502,981,352
Retained earnings	398,280,295
Result for the year	-171,949,091
	-67,248,034

The Board of Directors proposes that the share premium account, the retained earnings and the profit for the year, a total of SEK -67,248,034, be carried forward.

Note 27 Events after the reporting period

No significant events have materialized after the reporting period.

Note 28 Derivatives

HEDGING OF FUTURE CASH FLOWS FROM HIGHLY PROBABLE FORECAST TRANSACTIONS

Amount in million SEK	Carrying amount	Fair value	Anticipated accounting				
			2024	2025	2026	2027	After 2027
Electricity price contract	0.5	0.5	0.5	0.0	0.0	0.0	0.0
Hedging of future cash flows	0.5	0.5	0.5	0.0	0.0	0.0	0.0

VALUE ADJUSTMENT OF HEDGING INSTRUMENTS

Amount in million SEK	Carrying amount	Fair value
Value adjustment of hedging instruments reclassified to other operating income and expenses	0.3	0.5
Total value adjustment of hedging instruments reported in other comprehensive income during the year	0.3	0.0

Signing of the annual report

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and give a true and fair view of the Group's position and performance. The annual report has been prepared in accordance with generally accepted accounting principles, and gives a true and fair view of the parent company's position and performance.

The Board of Directors' Report for the Group and the parent company gives a true and fair view of the development of the Group's and the parent company's operations, position and results, and describes material risks and uncertainties faced by the parent company and the companies included in the Group.

The income statements and balance sheets will be presented for adoption to the Annual General Meeting on 23 April 2024.

Stockholm, on 2 April 2024

Eeva-Liisa Virkkunen
Chair of the Board

Sixten Sunabacka
Vice Chair of the Board

Jukka Jokela
Board member

Kimmo Luukkonen
Board member

Jarmo Vesanto
Board member

Mauri Visuri
Board member

Mikko Jalasto
Chief Executive Officer

Our audit report has been submitted on 2 April 2024

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Auditor in charge

Auditor's report

(This is a translation of the Swedish original)

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF SOTKAMO SILVER AB (PUBL), CORPORATE IDENTITY NUMBER 556224-1892

Statement on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sotkamo Silver AB (publ) for the year 2023 except for the corporate governance report on pages 37-45. The company's annual accounts and consolidated accounts are included in this document on pages 33-74.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 37-45. The board of directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We, therefore, recommend that the general meeting of shareholders adopts the income statement and statement of financial position for the Parent Company and for the Group.

Our opinions in this statement on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Sotkamo Silver owns, directly and through the subsidiary Sotkamo Silver Oy, mineral deposits containing silver, gold, zinc and lead. The company's main project is the Silver mine in Sotkamo, where production started in the first quarter of 2019 and was in full operation at the end of August 2019. The group consists of the parent company Sotka-

AUDITOR'S REPORT CONTINUED

mo Silver AB which is a publicly registered limited liability company with its registered office in Stockholm and the subsidiary Sotkamo Silver Oy.

Our audit has included both the parent company and the subsidiary in Finland. We have sent instructions to the component auditors regarding the focus and scope of their work linked to the Group audit and received reporting in connection with our review of the interim report for the second quarter and the Year-end audit. Valuation of tangible fixed assets relating to the Silver mine in Sotkamo, shares in subsidiaries and receivables on subsidiaries, significant assumptions and judgments and going concern are some of our focus areas in the audit.

Our audit is performed continuously throughout the year. In 2023, in connection with our Q2 review and Year-end audit, we reported to Management and the Audit Committee. With respect to the Year-end audit, we also reported to the Board of Directors. We submitted a limited review report for the interim report of the second quarter.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Valuation of tangible fixed assets relating to the Silver mine in Sotkamo in the consolidated accounts and shares in subsidiaries in the parent company

The consolidated accounts show tangible fixed assets relating to the mine in Sotkamo municipality amounting to SEK 517 million. The parent company Sotkamo Silver AB reports shares in subsidiaries amounting to SEK 175 million as of December 31, 2023, which refers to the shares in Sotkamo Silver Oy. Further, the mother company has a receivable on the subsidiary amounting to SEK 145 million. Tangible fixed assets and shares in subsidiaries and receivable on subsidiary, are significant items both in terms of amount and nature as they are affected by management's estimates and assessments of the future of the business. For this reason, we have chosen to consider the valuation of tangible fixed assets in the Group and the valuation of shares in subsidiaries in the Parent Company as a particularly significant area in our audit, and the risk we specifically focused on is the risk that the items are overvalued.

Impairment tests for tangible assets are based on the company's internal business plan and assumptions about future development of, among other things, metal prices, smelting and refining wages and exchange rates. Changes in market prices for metals, smelting and refining wages and currencies have a major impact on the Group's future cash flows and thereby on the estimated recoverable amount of tangible fixed assets. Other factors that are important are the estimated service life of the mine, production plans, permits for mining operations and efficiency and profitability in production.

The value of the shares in Sotkamo Silver Oy and the receivable on Sotkamo Silver Oy are directly attributable to the value of the underlying operation which is subject for the impairment test above.

See the Board of Directors' Report, Note 1 Significant Accounting and Valuation Principles, note 7 Financial expenses, note 10 Tangible fixed assets - the Group and Note 12 Participations in Group companies for more information

How we considered the key audit matters in our audit

We have focused in our audit on a number of procedures. A selection of which is highlighted below;

- Evaluated the Group's process and principles for impairment tests in accordance with IFRS.
- Tested the impairment test model and evaluated significant assumptions used to determine forecast cash flows and discount rates when calculating value in use. PwC's valuation specialists have been involved in performing many of these audit procedures.
- Obtained and assessed data linked to production plans and estimated life of the mine.
- Follow up that the necessary permits are in place for mining. Sotkamo Silver Oy has received a decision on a new updated environmental permit, which enables the company to operate more widely.
- Comparison of the book value of the shares and the receivable against the present value of future cash flows that the Silver Mining project is expected to generate.
- Follow up that the disclosures provided complies with the requirements of IAS 36.

AUDITOR'S REPORT CONTINUED

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–31 ja 80-86. The sustainability report is included on pages 18-31. This other information also contains the Remuneration report for Sotkamo Silver AB (publ) 2023 that has been published on the company's website the same date as this report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion regarding the annual accounts and consolidated accounts does not comprise this information and we make no statement confirming this other information. In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider if the information to a material extent is inconsistent with the annual accounts and consolidated accounts. In this review, we also take into account the information we collected otherwise during the audit and assess if the information otherwise appears to contain material misstatements.

If we draw the conclusion based on the work done regarding this information that the other information contains a material misstatement, we are obliged to report it. We have nothing to report in this respect.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Sotkamo Silver AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated with in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

AUDITOR'S REPORT CONTINUED

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, We have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securi-

ties Market Act (2007:528) for Sotkamo Silver AB (publ) for the financial year 2023 . Our examination and our opinion relate only to the statutory requirements. In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sotkamo Silver AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

AUDITOR'S REPORT CONTINUED

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esec report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esec report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esec report has been prepared in a valid XHTML format and a reconciliation of the Esec report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esec report has been marked with iXBRL in accordance with what follows from the Esec regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 37-45 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor with Martin Johansson as partner in charge of Sotkamo Silver AB by the general meeting of the shareholders on the 18 April 2023 and has been the company's auditor since the 11 May 2007.

Stockholm, 2 April 2024

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

Definitions

Key performance indicators and glossary

The use of key performance indicators (KPI) not defined in the IFRS. The company's financial statements are prepared in accordance with the IFRS. See above for further information on accounting principles. Only a few KPIs are defined in the IFRS. Since the second quarter of 2016, the company has applied ESMA's (European Securities and Markets Authority) new guidelines for alternative performance measures. An alternative performance measure is a financial measure of historical or future performance, financial position or cash flow that is not defined or specified in IFRS. To facilitate management's and other stakeholders' analysis of the Group's development, the company discloses certain alternative performance measures that are not prepared in accordance with the IFRS. The alternative performance measures provide additional information and do not replace key performance indicators defined in accordance with the IFRS. The company's definitions of alternative performance measures may differ from those of other companies.

AG

The chemical symbol for silver.

AG/EQ

Silver equivalent. Mineral resources are often reported in metal equivalents of the primary metal, e.g. AgEq. The secondary minerals are multiplied by their current metal prices, and the result is divided by the current metal price of the primary metal to obtain the corresponding metal equivalent.

ALL IN CASH COST

Cost of production per troy ounce of silver produced, taking into account investments to maintain future production. Income from by-products, lead, zinc and gold, has reduced the production cost of silver.

CONCENTRATION

Concentration of minerals and/or metals from the ore to metals or mineral/metal concentrates.

INFERRED MINERAL RESOURCE

Mineral resource estimated on the basis of assumed content and continuity, extrapolation from known and indicated mineral resource, for which there is a geological basis. Inferred mineral resources may or may not be supported by samples or measurements. See also Terminology regarding mineral resources and ore reserves at the end of this section.

MEANS USED

External costs, personnel costs and investments in exploration assets and equipment.

AU

The chemical symbol for gold.

BANKABLE FEASIBILITY STUDY

See Feasibility study

BASE METAL

Copper, lead, tin and zinc.

RIGHT TO MINE WITHIN SPECIFIED BORDERS

The right to have an area designated for mining under certain conditions.

PROVEN MINERAL RESERVE

Proven ore reserve is the proven economically mineable part of a known mineral resource. The economic conditions must be established in a feasibility study, at least in a prefeasibility study. The quantity of the ore reserve is calculated on the basis of the size demonstrated in slabs, shafts or drill holes. The grade/quality is calculated based on the results of a detailed sampling. The observations, samples and measurements are of such density and the geological conditions so well known that the size, geometric shape, depth, metal grade and grade continuity in the ore are well known. See also Terminology regarding mineral resources and ore reserves at the end of this section.

CORE

Cylindrical samples from diamond drilling analysed for metal grade.

CASH COST

Cost of production per troy ounce of silver produced, after the deduction of revenues from the by-products lead, zinc and gold.

CUT-OFF

The lowest grade included in the mineral resource or ore reserve estimate of the mineral/ore deposit, depending on the metal grade and metal price.

DEFINITIONS CONTINUED

OPEN PIT

Mining above ground.

DIAMOND DRILLING (CORE DRILLING)

Drilling in rock that produces a rod-shaped sample of the rock.

EQUITY PER SHARE

Equity in relation to the number of shares on the balance sheet date. Calculation: Equity divided by the number of shares.

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortisation

EBIT

Earnings Before Interest and Taxes

ETF

In the majority of cases, an ETF is an index fund. The main difference between an ETF and a traditional index fund is that an ETF is traded on the stock exchange.

BANKABLE FEASIBILITY STUDY

A comprehensive study of the mineral deposit which considers all the geological, technical, legal, economic and other relevant factors. The purpose of the study is to provide the basis for decisions on exploration. A completed pre-feasibility study is required to convert mineral resources into ore reserves.

FINMIN

Finnish Mining Association

FLOTATION

Process engineering method using surfactants to separate and enrich minerals and metals from a water mixed slurry.

FEASIBILITY STUDY

See Bankable feasibility study.

MINING

Production of metal/mineral concentrates that are further refined in smelters.

GREENSTONE BELT

Geographical area with metamorphic and sedimentary rocks, which are usually found in the Precambrian shield area.

GTK

Geological Survey of Finland

INDICATED MINERAL RESOURCE

Mineral resource, the quantity and quality of which are calculated in the same way as for a measured mineral resource, but the distance between the observation points is greater. The degree of certainty, even though it is lower than that of measured mineral resources, is high enough to presume continuity between the observation points. See also Terminology regarding mineral resources and ore reserves at the end of this section.

EXPLORATION PERMIT

Older designation of exploration permit.

INVESTMENTS

Investments refer to investments in tangible fixed assets and investments in right-of-use assets

IRR

Internal Rate of Return. The average annual return of an investment.

JORC CODE

An Australasian code for reporting mineral resources and ore reserves to investors and other stakeholders.

CASH AND CASH EQUIVALENTS

Short-term assets less inventories in relation to short-term liabilities

QUALIFIED PERSON

A person who is registered and approved by the mining industry's interest organisations for the accounting of mineral resources. A qualified person must be deeply familiar with the mineral industry, hold a university degree and at least five years of relevant professional experience.

MEASURED MINERAL RESOURCE

Mineral resources are calculated based on the quantity demonstrated in slabs, shafts or drill holes. The grade/quality is calculated based on the results of a detailed sampling. The observations, samples and measurements are of such density and the geological conditions so well known that the size, geometric shape, depth and metal grade of the mineral resource are well known. See also Terminology regarding mineral resources and ore reserves at the end of this section.

CORE DRILLING (DIAMOND DRILLING)

Drilling in rock that produces a rod-shaped sample of the rock.

DEFINITIONS CONTINUED

LTIFR

(Lost time injury frequency rate) meaning sickness absence in days due to workplace accident per million hours worked.

ORE

Metallic mineral deposit that can be mined economically.

ORE SORTING

Ore sorting is a process for upgrading rock materials containing minerals. Ore sorters use an electric broadband X-ray source to identify ore quality on a moving conveyor belt. This XRT separation technology clearly indicates the potential for reducing the amount of non-ore material fed in the concentration plant while increasing the silver grade in the feed. Ore sorting is an excellent first step in the metallurgical process.

MINERAL

A naturally formed solid inorganic substance often with a definite chemical composition and usually with a definite crystal form.

MINERALISATION

Natural concentration in rock or soil of one or more economically valuable minerals can also be called a deposit.

ORE RESERVES

The economically workable portion of probable and proven mineral resources determined based on at least one initial feasibility study.

MINERAL RESOURCE

The economically workable portion of measured and indicated mineral resources determined based on at least one initial feasibility study.

NI 43 101 CODE

A Canadian code for reporting mineral resources and ore reserves to investors and other stakeholders.

NPV

Net Present Value. The present value is the estimated value of an investment's future cash flows, discounted taking into account a given discount rate. The net present value is the difference between the present value and the discounted investment cost.

NUGGET EFFECT

Coarse grain size of metallic gold or silver that leads to the results of core drilling indicating a lower content than the actual gold content due to the fact that not all gold grains remain in the core or that they are lost when handling the core.

PB

The chemical symbol for lead.

PRODUCTION TUNNEL (INCLINED DRIFT)

A spiral tunnel close to the ore that is mainly used for transport.

PROSPECTING

A search for economically minable ores.

TEST DRILLING

Deep sampling to gather information for geological modelling of the deposit regarding the content and size of the deposit. See also core drilling.

TRIAL OPERATION

A small-scale operation for obtaining reliable results of the selected process solution and verifying geological data as an indication for future regular operation.

QUALIFIED PERSON

See Qualified Person.

RC DRILLING

Reverse Circulation. A drilling technique in which a crushed soil or rock sample is lifted through an inner pipe in the drilling rod, resulting in an uncontaminated sample.

RESULT PER SHARE

Result divided by the number of shares.

RFID

Radio-frequency identification (RFID) is a technique for remotely reading information from transponders and memory devices called tags.

RETURN ON EQUITY

Income after financial items and financial expenses as a percentage of average equity.

OVERALL PROFITABILITY RATE

Income after financial items and financial expenses as a percentage of average total capital.

COVERAGE RATIO

Income after financial items plus interest expenses divided by interest expenses.

DEFINITIONS CONTINUED

PROBABLE ORE RESERVE

The economically mineable part of an indicated mineral resource. The economic conditions are determined through a full feasibility study also in this case. The quantity of the ore reserve (ore) is calculated in the same way as for proven ore reserves, but the distance between the observation points can be greater. The degree of certainty, even though it is lower than that of measured ore reserves, is high enough to presume continuity between the observation points. See also Terminology regarding mineral resources and ore reserves at the end of this section.

SGU

Geological Survey of Sweden.

PRODUCTION TUNNEL (INCLINED DRIFT)

Aspiral tunnel close to the ore that is mainly used for transport.

EQUITY/ASSETS RATIO

Equity in relation to total assets.

SVEMIN

The Swedish Association of Mines, Mineral and Metal Producers.
See www.mining.se.

TAIVALJÄRVI

Location in the municipality of Sotkamo, where the company's main assets are located.

BUSINESS FINLAND (FORMERLY TEKES)

Finnish state authority. Business Finland funds and promotes ambitious research and development projects of companies, universities and research institutes.

TON(NE)

Unit of mass. In Sotkamo Silver's English-language reports, ton(ne) is used as a metric unit of measurement.

UNDERGROUND MINE

A mine where the mining of ore takes place in underground tunnels, in contrast to open pit mines.

EXPLORATION PERMIT

A time-bound exclusive right to explore a specific land area containing metal deposits. Provides the opportunity to protect the investments made. The commitment includes land reclamation and payment to the landowner.

OUNCE, TR. OZ.

Troy ounce, 1 troy ounce = 31.1035 grams, unit of measure for silver, gold and other precious metals.

RECOVERY

The proportion of a metal that can be extracted in the concentration process.

ZN

The chemical symbol for zinc.

PRECIOUS METAL

Gold, silver, platinum and palladium.

SILVER IN A NUTSHELL

A quick guide to silver

Each element is unique in its own way, but the properties of silver make it exceptional among all substances found in the periodic table. The atomic symbol of silver is Ag.

For example, silver is malleable and supple, making it perfect for jewellery and cutlery. Because it is one of the world's most reflective substances, silver has a uniquely beautiful shine.

Silver is also one of the world's best conductors of electricity, offering applications in electronic components such as wires, switches and circuit boards. The combination of ductility and electrical conductivity makes silver perfect for electronics gadgets like smartphones, as it can be bent and pressed into small spaces without breaking.

Silver also exhibits the unique property of penetrating bacterial cell walls. This enables silver ions to be used as biocides, which is becoming increasingly important as the overuse of chemical antibiotics is making some bacteria immune to them.

As if this were not enough, silver has been valued for centuries as an investment similar to gold. However, due to its lower value, silver is more accessible to a larger number of people who choose to hold on to physical silver instead of paper currency.

Silver is found in the earth's crust. Silver is usually mined as a secondary metal, found mainly in combination with gold, copper and lead, from which it must be separated.

Ag

Silver has been considered a precious metal for around 6,000 years. It was first used as a currency in 700 BC and has had a role as a trading metal in almost every ancient and modern culture. From the drachma of the ancient Greeks, which contained an eighth of an ounce of silver, to the Roman denarius and the British pound, which contained a certain amount of the metal.

ANNUAL GENERAL MEETING AND CALENDAR

Annual General Meeting

The Annual General Meeting will be held on 23 April 2024

Calendar

Sotkamo will publish financial information as follows:

- Q1/2024 will be published on 30 April 2024
- Q2/2024 will be published on 26 July 2024
- Q3/2024 will be published on 25 October 2024





SOTKAMO
SILVER