



Stockholm March 1 2017

## **THE CEO LETTER**

Last year was a very significant year. We managed to implement a major issue that provided the Company with approximately 186 MSEK before issue costs. We say thank you, to our shareholders that have supported us through the years. We are now looking forward to an exciting time with planned production start at the Silver Mine and development of the Company's other deposits.

We have focused on the operations at the Silver Mine, by updating the mineral reserves (ore). The update was based on test results that was made with ore sorting and its effect on the mining plan. There with, we could show an increase in the average silver content of the sorted mineral reserves in the feed to the concentrator. These results confirm that the Silver Mine project and continued work is well motivated and will be the key to our success.

The updated feasibility study showed healthy estimates related to the mining operation's profitability, even with metal prices lower than current prices. The economic figures and assumptions of the feasibility study were reviewed by the international consulting- and financing firm, Mining Associates. The audit found that the assumptions and the economic model was correctly specified in the feasibility study.

Sotkamo Silver has started preparatory work for the construction at the Silver Mine. The works include planning and construction of the concentrator's plant and underground mine infrastructure. Preparatory work is also done for the area's roads and for founding of the ponds.

We have also worked with the aim to secure the remaining of necessary funding, with focus on less dilution for the shareholders.

We are grateful for the offer from the Northern Ostrobothnia Centre for Economic Development, Transport and the Environment (ELY Centre) who resolved to offer the Company a grant of 2 M€. The Company has also received technology funding from Tekes, and vendor financing from ABB. We discuss with Traxys Europe SA on a marketing- and financing agreement, as if it will be signed will fully fund the Silver Mine project until start of production. Total amount that can be supplied to the Company by Traxys' financing is 18.8 M€. The financing that consist of loans might amount to 16.3 M€ to build Silver Mine and 2.5 M€ in working capital, to be used as soon as the project has started production.

Together with the support of our shareholders, this creates good conditions for opening the Silver Mine in Sotkamo municipality.

We have in front of us a very stimulating time that together with Sotkamo Silver's skilled employees, shareholders and partners build the mine, launch and sustain mining for many years to come.

Timo Lindborg