

REVIEW OF THE SOTKAMO SILVER MINE ORE RESERVES

INTRODUCTION

Outotec (Finland) Oy was commissioned by Sotkamo Silver Oy to review the mining section of the Sotkamo Silver Mine Definitive Feasibility Study Update prepared by CTS Engtec, January 2014. The mine planning and Ore Reserve estimates presented in the study document are prepared by Mr Jouni Kankkunen, MSc (Mining), MAusIMM of JK-Kaivosuunnittelu Oy. The Mineral Resource estimate has been prepared by independent consultant Dr Jyrki Parkkinen, EurGeol.

The review work has been done by Pekka Lovén, MSc(Mining), MAusIMM(CP) of Outotec (Finland) Oy, a Competent Person as defined by Joint Ore Reserves Committee (JORC, 2012).

This report is based on the following information:

- The draft version of the Sotkamo Silver Mine Definitive Feasibility Study Update prepared by CTS Engtec, January 2014.
- Discussions with Mr Ilkka Tuokko, Managing Director of Sotkamo Silver Oy and Mr Jouni Kankkunen, Mine planning consultant for Sotkamo Silver Oy, during the site visit to the Sotkamo Silver mine on January 21st, 2014.
- Drill hole database (2013) and Mineral Resource blockmodel in Surpac format (blockmodel2013_8d.mdl).
- Sotkamo Silver mine designs in Surpac formats.
- Sotkamo Silver Ore Reserve calculations in Excel format.

In preparing this report, Outotec (Finland) Oy has relied on the information provided by Sotkamo Silver Oy. Outotec (Finland) Oy has no reason to believe that this information is materially misleading, incomplete or contains material errors.

1. ORE RESERVE ESTIMATES

1.1. Mineral Resource for Mining

The Ore Reserve estimates are derived from the Measured and Indicated Mineral Resources. A summary of the Mineral Resources is shown in Table 1.

Sotkamo Silver Mine Classified Mineral Resource 2014/01/15							Blockmodel2013_8e			
Cut off Grade 50 g/t Ag applied			Top cut off grades: 1200 g/t Ag, 12 g/t Au, 9 % Pb, 6.6 % Zn							
JORC Classification	Volume m ³	Tonnage t	Density t/m ³	Ag g/t	Au g/t	Cu g/t	Mn %	Pb %	S %	Zn %
Measured	1 197 000	3 351 000	2.8	80.6	0.24	107	0.2	0.3	1.8	0.6
Indicated	950 000	2 660 000	2.8	87.0	0.24	126	0.2	0.3	1.6	0.7
Total	2 147 000	6 011 000	2.8	83.4	0.24	115	0.2	0.3	1.7	0.6
Inferred	477 000	1 340 000	2.8	76	0.2	99	0.2	0.2	1.6	0.5

Table 1. Sotkamo Silver Oy Mineral Resources at 50 g/t Ag cut off grade. (Some rounding may occur)

The 50 g/t Ag cut off corresponds to about 30 €/t NSR value including the credits from other payable metals. This is considered appropriate cut off grade in terms of the requirement of reasonable prospects for eventual economic extraction.

1.2. Key conversion factors

The key assumptions/ and parameters used to convert the Mineral Resources in Table 1 to Ore Reserves are as follow:

- Cut-off grade: Underground mining: 35 €/t (NSR), open pit mining 25 €/t (NSR).
- Mining Dilution: Underground mining: 15%, open pit mining: 10%.
- Mining Recovery of planned stopes: 90%.
- Metallurgical recoveries to concentrates: Ag = 87%; Au = 92%; Pb = 87%; Zn = 92%.
- Metal Prices: Ag = 22 Us\$/oz; Au = 1250 Us\$/oz; Pb = 2000 Us\$/t; Zn = 2200 Us\$/t.
- The smelter terms are based on the zinc concentrate sales agreement between Sotkamo Silver oy and Boliden commercial AB and the lead silver concentrate Letter of Intent between Sotkamo Silver Oy and Berzelius Stoberg GmbH.
- Mining rate: 350 000 t/a year 1-3, 450 000 t/a year 4 onwards.

It should be noted that the diluting material is not barren but contains silver and other payable metals as follows: Ag 31.3, Au 0.078, Zn 3600, Pb 1300.

1.3. Audited Ore Reserve Statement

A net smelter return (NSR) cut-off grade of 35 €/t (25 €/t for open pit) of ore was used to define the Ore Reserves. The NSR for each block in the resource model was calculated using the parameters described above.

Ore Reserves are summarized in Table 2.

Open pit					
	Tonnes	Ag ppm	Au ppm	Pb %	Zn %
Proved	697 000	100	0.28	0.27	0.57
Probable	7 000	90	0.51	0.49	0.94
Total	704 000	100	0.28	0.27	0.57
Waste		3 149 000	Tonnes		
Waste/ore		4.47			
Overburden removal		306 000	m3		
Underground mine					
	Tonnes	Ag ppm	Au ppm	Pb %	Zn %
Proved	1 103 000	97	0.29	0.37	0.76
Probable	1 529 000	106	0.29	0.36	0.74
Total	2 632 000	103	0.29	0.36	0.75
Total reserves					
	Tonnes	Ag ppm	Au ppm	Pb %	Zn %
Proved	1 800 000	98	0.29	0.33	0.69
Probable	1 536 000	106	0.29	0.36	0.74
Grand Total	3 336 000	102	0.29	0.34	0.71

Table 2. Sotkamo Silver Oy Ore Reserves by category as of 31st January 2014.

The Ore Reserve contains about 68% of silver contained in the Measured and Indicated Mineral Resource.

In addition to Ore Reserves there is 1.3M t at 75 g/t Ag Inferred Mineral resource, including about 0.5 Mt materials with >100 g/t Ag, of which substantial part could be converted to Ore Reserves with reasonable amount of diamond drilling extending the expected mine life.

Comparison to the previous Ore Reserve estimates (April 2012) shows the increase of both the tonnage (+12%) and Ag grade (+18%). This is due to the revised Mineral Resource model.

2. CONCLUDING REMARKS

The author is not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which would adversely affect the Ore Reserve estimated above.

The author considers the work done by Sotkamo Silver Oy and its consultants to estimate the Ore Reserve of the Sotkamo Silver Mine to be realistic, professionally carried out and compliant with the 2012 edition of the JORC code.

CERTIFICATE of AUTHOR

I, **Pekka Lovén**, MAusIMM(CP), MSc (Mining), do hereby certify that:

1. I am a Senior Technology Adviser – Mining of Outotec (Finland) Oy, Puolikkotie 8, 02200 Espoo, Finland
2. I graduated with MSc degree in Mining Engineering from Helsinki University of Technology in 1980.
3. I am a Member of the Australian Institution of Mining and Metallurgy with Chartered Professional accreditation
4. I have worked as a mining engineer for a total of 34years since my graduation from the university.
5. I am a Competent Person in accordance with the JORC Code (2012).
6. I am not aware of any material fact or material change with respect to the subject matter of the report that is not reflected in the report, the omission to disclose which makes the report misleading.
7. I am independent of Sotkamo Silver Oy
8. I have read the guidelines of JORC (2012) with regards to the reporting of Mineral Resources and Ore Reserves

Dated this 13th day of February, 2014.



Pekka Lovén