

## INFORMATION ABOUT PRE-EMPTIVE ISSUE JUNE 2016

Please note that this is just a short extract from the prospectus and that each decision to invest in Sotkamo Silver should be based on an evaluation of the prospectus in its entirety. The prospectus is available on [www.silver.fi](http://www.silver.fi) and [www.aqurat.se](http://www.aqurat.se). The prospectus can also be obtained free of charge from Sotkamo Silver AB (publ), Hovslagargatan 5B, 111 48 Stockholm. Any questions concerning subscription and payment for units rights registered with Euroclear Sweden will be answered by the issuing institute Aqurat Fondkommission AB, telephone no. +46 8 684 05 800, and any questions concerning subscription and payment for units rights registered Euroclear Finland will be answered by S-Bank Group, phone no. +358 9 6134 6250.



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# Words from the CEO

Dear shareholder,

After steady work and many investments in development for many years, Sotkamo Silver has now decided to commence building the Silver Mine to extract the deposit.

We now have a very stimulating time ahead of us to develop the Silver Mine together with the skilled professionals of Sotkamo Silver, to start up and maintain mining and to continue to develop both that deposit and the other deposits along the Greenstone Belt of Tipa.

The Company has at its disposal ore reserves initially good for six years of production. This time frame is necessary to justify the decision to commence mining with good profitability. In addition, the Company has mineral assets and prospecting potentials with good prospects of being upgraded to ore reserves.

As a result of drilling programs and geophysics we have been able to show that in connection to the silver, gold, zinc and lead rich zones in the Silver Mine, there is additional potential down to a depth of 1,500-2,000 meters with corresponding geology and contents. We also know that in connection to the Greenstone Belt of Tipa there are several interesting silver and gold deposits. All this put together means that we have good expectations of continuous mining production for many years to come. The beneficiation plant of the Silver mine will then act as a centre for the operation.

After the issue, the operation will focus on the building projects already decided upon. The ambition is that all building and facility works be finished

during the autumn of 2017. Start of operation is planned for the last quarter, with the view to reach full production during the first half of 2018. I am pleased that the Feasibility Study, which was established, appraised and approved by the independent consultant CTS Engtec Oy and published on 22 March this year, shows very sound estimates concerning the planned mining operation.

The start of construction will be a momentous event in the mining history of Sotkamo Silver. The Company has received technology financing from TE-KES, and delivery financing from ABB. Combined with the support from our shareholders, this creates excellent conditions to open Finland's first silver mine in the municipality of Sotkamo.

We feel very positive about the financing solutions achieved so far. The geological and industrial basic conditions of Sotkamo Silver are exceptionally good and we look forward to many years of successful mining in the Silver Mine and its vicinity.

Current shareholders and new investors are hereby invited to subscribe for units in the preferential rights issue of Sotkamo Silver. We thank you shareholders for supporting us through the years and look forward to an exciting time with the start of production of the Silver Mine and development of the other deposits in the vicinity of the mine.

Timo Lindborg  
Chief Executive Officer, Sotkamo Silver AB

## Background and offer

Sotkamo Silver is a Swedish mining development company listed on the NGM Equity Exchange and on NASDAQ Helsinki. The main assets of the Company are located at the Silver Mine in the municipality of Sotkamo in eastern Finland and in Mofjell in Mo i Rana, Norway. The main goal is to begin production in the Silver Mine in Sotkamo.

Since 2010 the Company has invested around 155 MSEK in the project and in total around 250 MSEK has been invested. At this point, the Company has all permits required to operate a mining business. Underground preparations and investments, such as transport tunnels and ventilation shafts are finished and a large part of existing infrastructure such as roads etc. is in place. There are current quotations in place to complete the mine.

The Company has had an updated Bankable Feasibility Study made for the Silver Mine in the municipality of Sotkamo. The Feasibility Study which was established, appraised and approved by the independent consultancy group CTS Engtec Oy, was published on 22 March 2016 and is available for perusal on the Sotkamo Silver webpage.

The Board of Sotkamo Silver decided on 4 May 2016, pending the approval by the Extraordinary Meeting of Shareholders, implement out a preferential rights issue of units, both shares and share warrants, to the existing shareholders of the Company to finance further development and production start at the Silver Mine in the municipality of Sotkamo. During an Extraordinary Meeting of Shareholders in Sotkamo Silver on 7 June 2016 the Board's decision to implement the issue was approved. The preferential rights issue means that under a full subscription, the number of shares will increase by 82,572,792, from 20,643,198, to 103,215,990. Under a full subscription of the share warrants, another 20,643,198 will be added in 2017. The dilution effect for the shareholders choosing not to participate in the preferential

rights issue will under a full subscription be 80% exclusive of any utilizing of share warrants. The total dilution effect for the shareholders choosing not to participate in the pre-emptive issue will under a full subscription and full utilization of the share warrants be 83%.

The purpose of the imminent preferential rights issue is to finance the completion of the plant and to commence the production at the Company's silver mine in Sotkamo. For this a total inflow of 320 MSEK is needed, of which 186 MSEK, before issuing and guarantee costs (around 174 MSEK after issuing and guarantee costs, which are calculated to 12 MSEK) refers to this preferential rights issue. In the opinion of the Company the rest of the capital requirement will partly be financed by loaning instruments. In addition, the Company has received loan commitments from the Finnish innovation financing authority Tekes of 9.4 M€ (86.5 MSEK) and up to 5 M€ (46 MSEK) of delivery financing from ABB. However, these commitments are conditioned on the implementation of a financing package, of which this share issue is an important part. The Company has received commitments to subscribe adding up to 20% of the preferential rights issue from a number of major shareholders of the Company. In addition, the company has received guarantee commitments from external qualified investors adding up to a total of 50% of the preferential rights issue. Therefore, the subscription and guarantee commitments add to a total of 70% of the preferential rights issue. The subscription and guarantee commitments are not secured by pledges, blocked funds or similar arrangements.

The goal is to complete the financing package after the imminent preferential rights issue, in order to commence the completion of the plant in the Silver Mine during autumn 2016.

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# Summary of the market

The value of the mineral assets of Sotkamo Silver is mostly affected by the price development of silver, and then of gold and zinc. The price of base metals and silver is strongly influenced by the demand from the industry. The demand for gold on the other hand is mainly driven by private consumption or private investments. However, strong industrial economy and high private consumption often coincide.

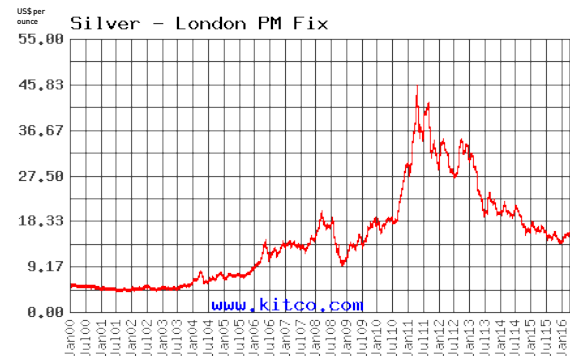
Silver (Ag) is the most common of all precious metals. Although silver is mostly known as material for jewellery and ornaments, industrial use constitutes more than half of all consumption. One quarter of consumption is used in electrical or electronic equipment, such as keyboards, cables or silver oxide batteries. Other industrial areas of use are for instance as a catalyst in chemical reactions or for optical use as a reflecting material in mirrors and solar panels. Silver is also used for its anti-bacterial properties. As the digital camera has developed, the demand for silver in the movie industry has halved in the last ten years, which has been balanced by an increased demand from other areas of use.

The price of silver mostly depends on industrial and investment demand. Central banks do not have a silver reserve like they do with gold. The development of the price of silver often follows the development of the price of gold. The price of silver has increased since 2009, and was on 22 April 2016 17.2 \$/oz.

## GOLD/SILVER PRICE COMPARISON

There is probably 15 to 20 times more silver in the ground than what is known today, but much of this will never under any circumstances be profitable to mine. The price of silver has been low in relation to the price of gold for the last two years. The relation has been 70-85, while the normal relation is assumed to be 50-60. This means that the development of the price of silver is much more volatile compared to gold.

Silver price development January 2000 – March 2016



Gold/silver price relation April 2001 – April 2016, source Goldprice.org, 2016



# Summary of Sotkamo Silver

## BUSINESS CONCEPT

The business concept of Sotkamo Silver is to develop and extract mineral deposits in the Nordic Region. The operation is run with far reaching measures taken to protect humans and the environment. Sotkamo Silver owns, through subsidiaries, mineral deposits containing silver, gold and zinc in Finland, Sweden and Norway. The main project of the Company is the Silver Mine in the municipality of Sotkamo. The vision of Sotkamo Silver is to be a part of the future structural development and consolidation of the Nordic mining industry.

## THE SILVER MINE IN THE MUNICIPALITY OF SOTKAMO

Drillings and development works at the silver deposit confirm deposits of both silver, gold, zinc and lead, as well as the ores' probable continuity and suitability for traditional mining and beneficiation methods. The Company has also shown, through testing, that ore sorting is a suitable method, especially for low grade and marginal ores, to increase the silver and metal levels in the beneficiation plant. This will decrease the production cost per produced troy ounce of silver, known as "Cash Cost". Tests performed and the Sotkamo Silvers data base of analyses and drill-hole data meet the demands stipulated for a reliable calculation of mineral deposits according to the JORC code.

The known parts of the mineralisation have been thoroughly explored. The geology, shape and location of the mineralisation and the drilling sections transecting the silver bearing zones on depths of 900 metres, make it probable that the content is more extensive than the 7,347,079 tons of mineral deposits stated in the mineral deposit update "Sotkamo Silver Ag-Zn-Pb-Au Deposit: Mineral Resource Estimate Update, 2014" by the independent consultant Dr Jyrki Parkkinen. New interpretations of data open the potential to find additional mineralisation in connection with the existing deposit, both on the surface and underground. The volume of the prospect goal is more than 20 million tons and the silver content is estimated to be 60 g/t Ag at a cut-off-content of 30 g/t Ag.

The Company has had an updated Bankable Feasibility Study made for the Silver Mine in the municipality of Sotkamo. The Feasibility Study was published on 22 March 2016 and is available for perusal on the Sotkamo Silver webpage.

The update of the Feasibility Study was established, appraised and approved by the independent consultancy group CTS Engtec Oy.

# Summary of the offer

## PRE-EMPTIVE RIGHT TO SUBSCRIBE

Any shareholder of Sotkamo Silver on the record day 9 June 2016 has a pre-emptive right to subscribe to issued units in relation to earlier shareholding, whereby one (1) share in Sotkamo Silver held on the record day entitles to (1) issued unit. Each unit consists of four (4) shares and one (1) gratuitous share warrant 2016/2017.

## SUBSCRIPTION PRICE

The subscription price is 9 SEK per unit (equivalent to 2.25 SEK per share), or, when subscription is based on unit rights registered at Euroclear Finland, 0.98 EUR per unit (equivalent to 0.245 EUR per share)

## RECORD DAY IN EUROCLEAR SWEDEN

The record day is 9 June 2016. The last trading day for Sotkamo Silvers shares with a right to take part of the issue is 7 June 2016.

## SUBSCRIPTION PERIOD

The subscription period is 15 June - 29 June 2016. Submission to subscribe for units under the unit rights will be made during this period with instant payment in cash. Note that the last submission day through account provider and/or nominee may be an earlier date than the last subscription day of the issue.

## INFORMATION ABOUT THE SECURITIES

Trading venues for shares:	NGM Equity (acronym SOSI) and NASDAQ Helsinki (acronym SOSI1)
ISIN-code for shares:	SE0001057910
ISIN- code for unit rights:	SE0008432256
ISIN- code for paid subscription units (BTU):	SE0008432264
ISIN- code for share warrants series 2016/2017:	SE0008373880

## IMPORTANT DATES

Last trading day for shares with the right to participate in issue:	7 June 2016
Record day for right to participate in issue:	9 June 2016
Subscription period:	15 June – 29 June 2016 (Account providers and nominees may for practical reasons issue a deadline for submission/instruction to subscribe which may be earlier than the expiry of the subscription period.)
Trading with unit rights on NGM Equity:	15 June – 27 June 2016
Trading with unit rights on NASDAQ Helsinki:	15 June – 22 June 2016
Trading with paid unit rights (BTU) on NGM Equity:	15 June 2016 – issue has been registered with the Swedish Companies Registration Office.
Trading with interim shares on NASDAQ Helsinki:	15 June 2016 – issue has been registered with the Swedish Companies Registration Office.

## CALENDAR

Semi-annual report January-June 2016	24 August 2016
Interim report January-September 2016	16 November 2016
Year-end report January-December 2016	15 February 2017
Annual general meeting	23 March 2017

# Important information

For complete terms and conditions and instructions for subscription in the pre-emptive issue, see section "Terms and Instructions" in the prospectus. Shareholders whose holdings of shares in Sotkamo Silver are held on account in a bank or other nominee, will not receive an issue prospectus nor a special subscription form. Subscription and payment will instead be made according to the instructions of that particular account provider or nominee.

# Addresses

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