

Improved profitability by enhanced operational efficiency and higher silver grade

Half-Year Financial Report Q2/2023



HIGHLIGHTS

April-June

- Net sales increased by 33 % to 120 MSEK (90 MSEK), driven mainly by a higher average silver grade and positive development of silver price
- EBITDA increased by 721 % to 53 MSEK (6), EBITDA margin increased to 44 % (7)
- EBIT increased to 34 MSEK (-16)
- Profitability increased significantly driven by a higher average silver grade, higher silver price, improved efficiency of mining activities and decreased energy prices. The cost control measures initiated previous year had a positive impact on the Company's operational costs
- Cash and cash equivalents decreased by 16 % to 36 MSEK (43)
- Investments decreased by 67 % to 8 MSEK (24)
- The production amounted to approximately 383,000 ounces of silver (281,000), 836 ounces of gold (796), 317 tonnes of lead (365), and 662 tonnes of zinc (824) in concentrates

Comparative figures refer to the corresponding period of the previous year. In case of discrepancies, the official Swedish version of this report prevails.

January – June

- Net sales decreased by 8 % to 188 MSEK (205 MSEK), driven by a lower mining volume while the average silver grade developed positively
- EBITDA increased by 34 % to 59 MSEK (44), EBITDA margin increased to 32 % (22)
- EBIT increased to 24 MSEK (-1)
- The good profitability in the second quarter raised the profitability of the entire first half of the year to a good level. As a result of the good second-quarter EBITDA level, the net debt-to-EBITDA ratio fell below four
- Cash and cash equivalents increased by 4,168 % to 36 MSEK (1)
- Investments decreased by 53 % to 16 MSEK (34)
- The production was approximately 590,000 ounces of silver (617,000), 1,352 ounces of gold (1,666), 549 tonnes of lead (830), and 1,177 tonnes of zinc (1,814) in concentrates
- Company received gross proceeds of approximately 3.4 MEUR or 38.4 MSEK from the rights issue before the deduction of transaction costs in Q1 2023
- Company and the senior lenders agreed in Q1 2023, upon an amendment to the terms of the senior loan agreement, to postpone the first installment (1.5 MEUR due on March 31, 2023) to be paid on the termination date of the senior loan agreement (March 31, 2026)

OUTLOOK

Guidance for 2023 (unchanged)

The Company has issued the following guidance for 2023 on 14 February 2023:

- The Company expects to produce 1.4 -1.5 million ounces of silver in 2023. However, Company's primary target is to maximize the revenue and operative cash flow. To achieve this, Company adjusts the mix of metals in the ore feed which might have an impact on the produced silver ounces.
- Annual EBITDA to be at least 28 %
- Net debt-to-EBITDA to be below 2.5 at year-end

The Company's profitability is significantly affected by external factors, such as metal prices, exchange rates, as well as energy prices. The achievement of guidance requires above mentioned external factors to remain at the level forecasted by the market in mid-February 2023.

CEO REVIEW

Improved profitability and operational performance

In the second quarter, Sotkamo Silver focused on improving operational efficiency, and production volumes reached the planned level. The Company's net sales increased by 33 percent compared to the previous year.

This was mainly due to the higher silver content of the feed and the positive development of the silver price. As a result of the increased production volumes, the Company's profitability improved in the second quarter and EBITDA margin was 44 percent of net sales.

The improvement in silver grade has been made possible by the extension of the decline last year, which has enabled mining new levels. Previous infill drilling indicated higher silver grades at these levels, and this is being realized in production. We continue to see monthly variation in silver grades, as is typical in mining, but on average we are close to the silver grade levels of the mine's early years.

Profitability was supported by lower energy prices, improved efficiency of mining activities, and the successful cost control measures that were initiated last year. These factors together with the strong silver price are expected to support us in the coming quarters as well. Demand for silver is historically high, and according to the latest

forecast published by the Silver Institute in April, demand will remain higher than supply in 2023.

During the first half of the year, we strengthened our working capital through financing arrangements, and I want to thank our shareholders for the trust given in the share issues. We aim to further strengthen this trust through our performance in future. In the second quarter, we stabilized mining operations and made stable progress toward the strategic targets for 2023.

I am pleased to see that the extension of the decline and the infill drilling over the past year are now enabling us to increase production volumes and silver grades. These investments will continue to support Sotkamo Silver's operations in the coming quarters. Our goal is to continue research drilling aimed at extending the life of the mine, but for the time being, we are focusing resources primarily on stabilizing and improving the operations.

I want to thank all employees for their excellent work for improving our performance. The work done last year and in the past months has proven that we are on right track and the latest results confirm the confidence for the future.



Mikko Jalasto, CEO

Key figures

Key figures	Q2/23	Q2/22	Change, %	H1/23	H1/22	Change, %	2022
Net sales, MSEK	120	90	33	188	205	-8	371
EBITDA, MSEK	53	6	721	59	44	34	53
EBITDA margin %	44	7		32	22		14
EBIT, MSEK	34	-16		24	-1		-34
EBIT margin %	28	-18		13	-1		-9
Equity ratio %	43	40		43	40		38
Cash liquidity %	90	86		90	86		46
Net debt-to-EBITDA ratio	3.8	2.7	41	3.8	2.7	41	5.3
Personnel at the end of the period	48	58	-17	48	58	-17	44
Silver production, koz	383	281	36	590	617	-4	1,169
Mill feed, kt	137	169	-19	233	343	-32	635
Average silver grade, g/tonnes	101	62	63	93	67	39	69

Table 1

Financial performance

During the quarter, net sales increased by 33 percent to 120 MSEK (90 MSEK), driven mainly by a higher average silver grade and positive development of the silver price.

Other income was -1 MSEK (-2), including mainly estimated unrealized final sales price adjustment due to the price difference between provisional and final invoices for the period. Net sales included 4 MSEK estimated final metal content adjustment due to metal content difference between provisional and final invoices for the period. The final sales prices for silver and gold are based on the monthly average market price two months after the delivery, deducted by the customer's smelter charges.

Profitability increased significantly during the quarter driven by a higher average silver grade, higher silver price, improved efficiency of mining activities and decreased energy prices. The cost control measures that were initiated last year had a positive impact on the Company's operational costs.

Investments in the underground mine and environmental investments decreased by 67 percent to 8 MSEK (24) during the quarter. Investments during H1/2023 totaled 16 MSEK (37). P700 project's infill-drilling continued, and costs were included in the investments of the period.

During the second quarter silver price fluctuated in a range between \$22.3 and \$26.0 per ounce and during H1/2023 between \$20.1 and \$26.0. At the end of the quarter, the silver price was \$22.5 per ounce. The Euro remained relatively stable against the US dollar, at 1.0870 at the beginning of the quarter and 1.0866 at the end of the quarter. EUR/USD rate was 1.0666 at the beginning of the year. The strengthening of the euro against the US dollar in the first half of the year weakened the Company's result by 3.1 MSEK. In the first half of the year, the euro strengthened against the Swedish krona from 11.1283 at the beginning of the year to 11.7917, which improved the Company's result by 3.8 MSEK.

According to the latest forecast published by the Silver Institute in April, market fundamentals are expected to stay strong and support the Company in the coming quarters as well.*

* <https://www.silverinstitute.org/silver-supply-demand/>

Financial position and cash flow

During the second quarter, the Group's cash and cash equivalents declined by 16 % to 36 MSEK (43). Cash and cash equivalents increased by 4,168 % to 36 MSEK (1) during H1/2023. The Company generated cash flow from operating activities 13 MSEK during Q1/2023 and 18 MSEK during Q2/2023. According to the Company's estimate, it has sufficient liquidity for at least the next 12 months of operations, including senior loan installment and related interest payment.

The Group's equity ratio increased to 43 % (40).

The Group's equity was 289 MSEK (264) which corresponds to 1.01 SEK (1.32) a share non-diluted, and 0.90 SEK (1.11) diluted.

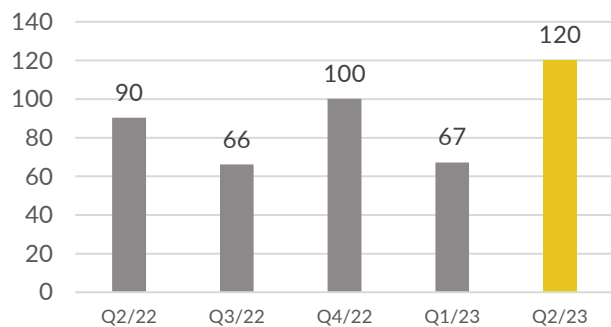
Market data

	Q2/23	Q2/22	H1/23	H1/22	2022
Average silver price USD	24.1	22.6	23.3	23.3	21.7
Average EUR/USD	1.0887	1.0647	1.0807	1.0934	1.0530

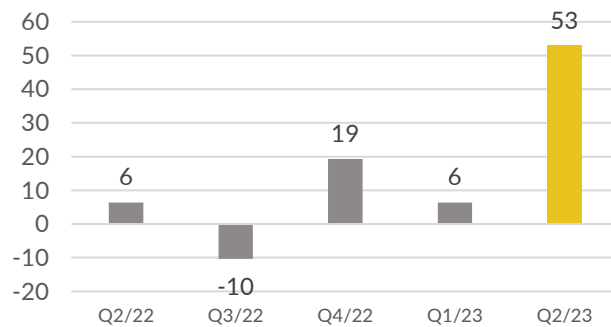
Table 2

Financial key figures

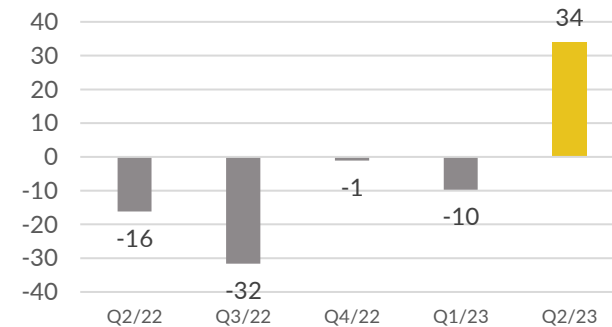
Net Sales, MSEK



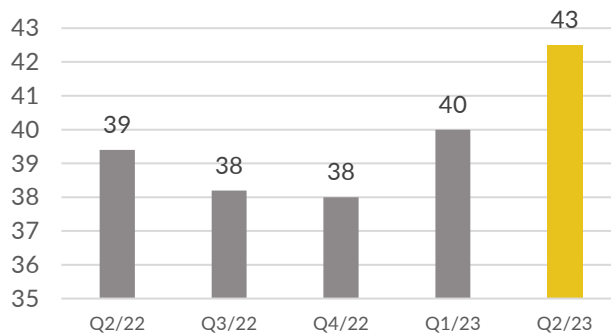
EBITDA, MSEK



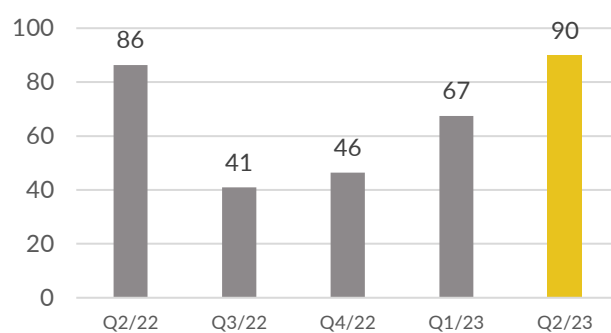
EBIT, MSEK



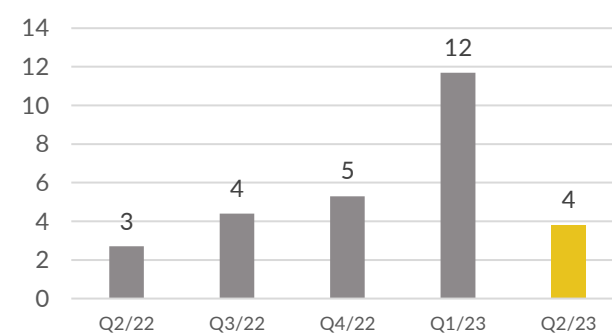
Equity ratio, %



Cash liquidity, %



Net debt-to-EBITDA



Operational performance

During the quarter, the total amount of milled ore decreased by 19 % to 137,000 tonnes compared to the previous year (169,000). Volume was in line with the Company's production plans and the difference against the comparison period is caused by not using marginal ore as addition to the feed. In total, the production amounted to 383,000 ounces silver (281,000), 836 ounces of gold (796), 317 tonnes of lead (365), and 662 tonnes of zinc (824) in concentrates.

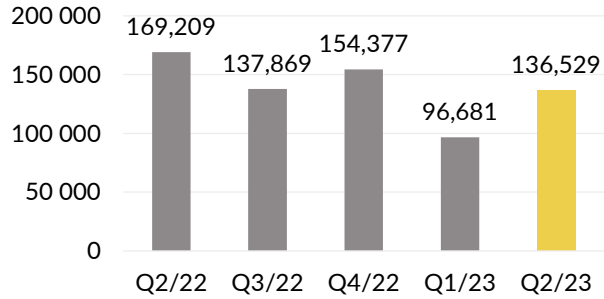
The ramp-up with the new mining contractor proceeded as planned and the main processes are well established. The mining contractor's employees have been trained, the equipment has been supplemented and our common way of working has been refined over the past few months. The planned benefits of the contractor change are starting to materialize. The Company's focus with the mining contractor is continuous development to ensure cost-efficient operations for mutual benefit.

The silver head grade continued to improve during the quarter and increased to 101 (62) g/tonne. This significant increase was expected, and it was the result of extensive work done with decline extension, infill-drilling and related planning around the new mining levels. Based on infill-drilling results, the silver grade is expected to remain at the 90-110 g/tonne level in the coming quarters and this should provide the Company with a solid base for stable operations.

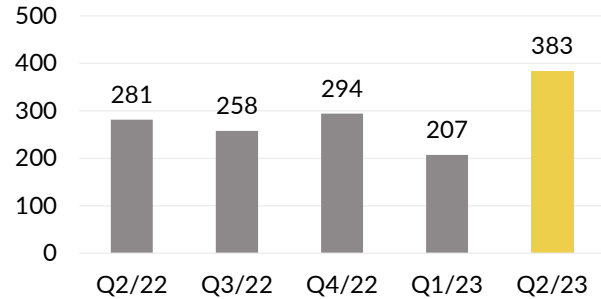


Operational key figures

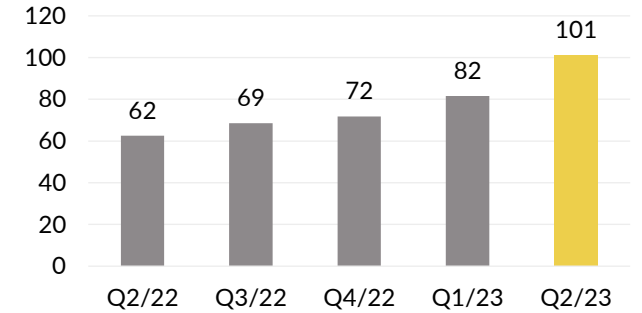
Milled ore, tonnes



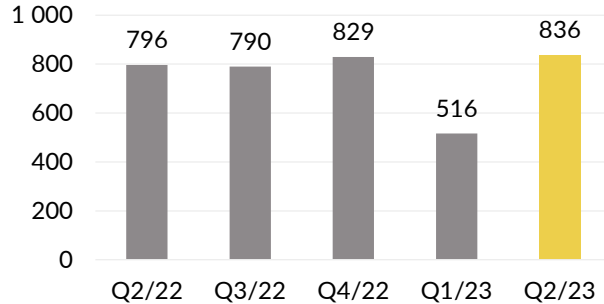
Silver production, koz



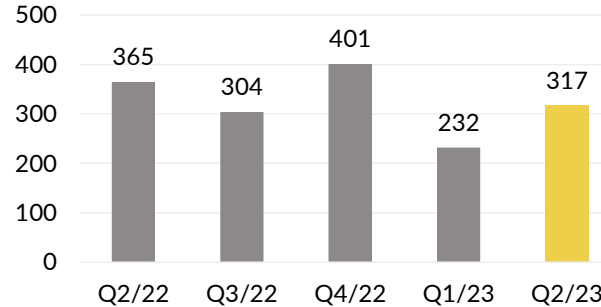
Silver head grade, g/tonnes



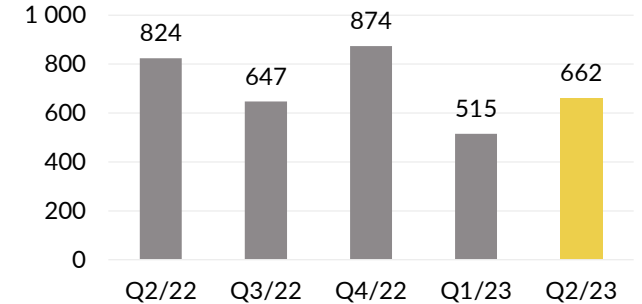
Gold production, oz



Lead production, tonnes



Zinc production, tonnes



Strategy

The cornerstones of Sotkamo Silver's strategy are:

1. Development of the existing silver mine and ensuring a solid foundation for the Company's expansion
2. Increase mineral resources by continuing exploration in the current mine and the Kainuu region
3. Sustainable use of natural resources

To execute the strategy in 2023 Sotkamo Silver is focusing on the following key activities to support the company's growth, profitability, and sustainability:

- Strengthening the financial position through share issues and other financial arrangements
- Transitioning to new mining levels for improved head grade and turnover
- Continuing infill-drilling for ensuring cost-effective and stable production in coming years
- Implementing risk management and hedging policy to manage business-related uncertainties
- Selling pyrite (by-product) to reduce the environmental impacts and increase resource efficiency

Key activities, Q2/2023

Strengthening the financial position

With the share issue, postponement of the first installment of the senior loan and income financing, the Company strengthened its working capital to improve its cost efficiency and extend the life of the mine (LOM) until 2030. Extending LOM by five years until 2035 will likely require additional funding. Exploration drilling aimed at extending the LOM until 2035 will likely be carried out below (P1000 project) and west of the existing mine.

Transitioning to new mining levels

The decline extension done during 2022 allows Sotkamo Silver to gradually move to new mining levels in the underground mine. During the second quarter, the Company increased production at targeted 360–420-meter levels which enabled improved silver grades and increased profitability during the second quarter. Decline development is planned to continue gradually during the rest of the year to provide a solid basis for future operations.

Infill-drilling

Infill-drilling has been continued during this year and the Company has drilled over 5,500 meters during the first half of 2023. The drilling has been carried out mostly in depths of 450-550 meters and will provide the Company with valuable information for more detailed and cost-efficient

planning of future mining. The infill-drilling also provides the data which is necessary to upgrade existing mineral resources to ore reserves. The Company expects to report new infill-drilling results during the last quarter of 2023.

Hedging policy

To manage business-related uncertainties, the Company continued to prepare a hedging policy for the metal price, exchange rate, interest rate and electricity price risks through derivative instruments. The Company aims to finalize the policy by the end of the year.

Selling pyrite as by-product

Sotkamo Silver produces pyrite as by-product of the mine's main concentrates. The production of pyrite reduces the sulfur content of the tailings. Pyrite has typically been stored in a segregated area. During the first half, the Company started to deliver the pyrite directly to the end customer. From Sotkamo Silver's perspective the sales of pyrite generate only minor revenue, but it clearly reduces the Company's environmental footprint as pyrite is turned into a usable commercial product and resource efficiency is increased.

Safety and environment

Safety

The lost time injury frequency rate (LTIFR, the number of lost time injuries for million working hours) was 7 (8) at the end of the period, including all contractors. LTIFR of 7 corresponds to two Lost Time Injuries (LTI) within a 12-month period. The Company wants to reinforce and encourage a positive safety culture in its own organization and with its contractors. The long-term goal for LTIFR is zero. At the quarter-end, the Company's own personnel and regular contractors at mine had worked 58 days without LTIs. The previous period was 126 days without LTI.

Nitrogen emission permit extension application

The annual limit for nitrogen emissions to water is defined in silver mine's environmental permit. In 2023, the permit limit is lowered from 12.4 tonnes to 7 tonnes per year and it's also stated in the permit that nitrogen removal water treatment equipment should be commissioned during 2023. Due to a delay in the development of solutions for nitrogen reduction, the company estimates that the current permit limit will be exceeded in 2023.

Nitrogen emissions of the silver mine originate from the explosives containing nitrogen. The Company has concluded that all feasible water treatment technologies would increase other emissions to water due to the needed addition of chemicals and thus the most sustainable

method is to eliminate the source of the emission by replacing the current explosives with ones that do not contain nitrogen. The transition to the nitrogen free explosives was planned to be done in 2022-2023 but the original schedule was delayed due to increasing delivery times and uncertainty in the financing market.

Due to the delay, the Company has applied for time extension for the commissioning of nitrogen removal water treatment technology until 2025 and the tightening of the nitrogen emission permit limit until 2026. The company plans to execute the transfer to the nitrogen free explosives during the applied time extension but is prepared to commission the water treatment technology if the transition is further delayed.

The Company estimates that the applied time extension doesn't cause environmental harm to the receiving water bodies. This is supported by the water sampling data which continues to show good water quality. The water quality in the nearest rivers and lakes is followed according to the authority approved monitoring plan by external and certified consultant. It's estimated that the applied permit time extension and planned actions will not have an operational effect on the Company. Also, the applied time extension is relatively short as in the long run, the Company aims at zero nitrogen emissions in water.

Personnel

The Company had 48 (58) own employees and 99 (110) contracted employees permanently worked at the silver mine site.

The difference compared to last year is due to the lower number of temporary summer substitutes and the few open positions that will be filled in the autumn.

Shares and trading

Sotkamo Silver AB's share capital on June 30, 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.

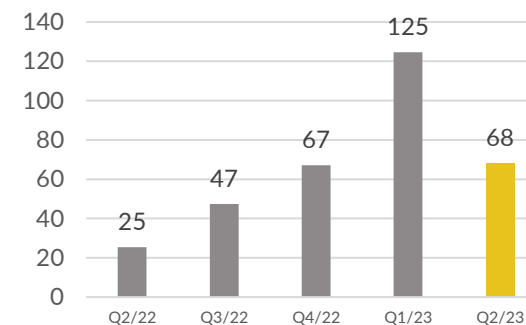
During the second quarter 68,011,907 (102,936,306) and 192,713,903 (102,936,306) shares during H1/2023 were traded on NGM Equity in Stockholm and Nasdaq in Helsinki.

Share information

	Q2/2023	Q2/2022
Share price, SEK	0.57	1.48
Highest share price during the period, SEK	0.67	2.05
Lowest share price during the period, SEK	0.53	1.43
Quota value, SEK	0.96	1.37
Market cap, MSEK	163	297
Number of shares	285,758,153	200,366,211
Share capital, SEK	275,504,549	274,871,388

Table 3

Shares Traded (million)



Risks and uncertainties

Financial, operational, and global economic risks, and uncertainties might have an impact on the Company's operations and performance. The Company's operations must be evaluated against the background of the risks, complications, and potentially incurring additional costs that mining and exploration companies are exposed to. The Company can control and counteract these risks to varying degrees.

The Company's revenue comes from the sale of flotation concentrates priced in USD. Costs are primarily in EUR and SEK. The Group's balance sheet consists mainly of assets and liabilities in EUR. The Company, therefore, has an exposure of the net balance sheet in EUR/SEK since the Parent Company's accounting currency is SEK.

The risks and mitigating them are described in more detail in the Annual Report for 2022, p. 22–25.

Resolutions made at the Annual General Meeting

The following main resolutions were made at the Annual General Meeting (AGM) held on April 18, 2023:

- The income statement and the balance sheet for both the parent company and the group regarding the financial year 2022 were adopted by the AGM. The AGM decided that

no dividend would be paid out for the financial year 2022. The members of the Board and the CEO were granted discharge from liability for the financial year 2022.

- The AGM decided that the Board would comprise of six ordinary members without deputy directors. Jarmo Vesanto, Kimmo Luukkonen, Eeva-Liisa Virkkunen, Sixten Sunabacka and Jukka Jokela were re-elected as directors and Mauri Visuri was elected as director. Eeva-Liisa Virkkunen was re-elected chairman of the Board.
- The AGM resolved to re-elect the auditing company PWC until the end of the AGM 2024.
- The guidelines for remuneration for the management and the procedure for appointing the members of the nomination committee were approved in accordance with the proposals from the Board.
- The AGM approved the nomination committee's proposal for annual fees to the Board.
- The AGM resolved, for the period until the next AGM, to authorize the Board, at one or several occasions, to issue new shares or other financial instruments. The authorization is limited to a maximum dilution of ten (10) percent of the total number of shares outstanding at the time of the first Board resolution in accordance with the authorization.

Events after the reporting period

No significant events have materialized after the reporting period.

Financial calendar

- Q3 October 25, 2023
- Q4 February 15, 2024

Stockholm, July 28, 2023

Sotkamo Silver AB's Board of Directors and CEO

Eeva-Liisa Virkkunen (Chairman)
Sixten Sunabacka
Jarmo Vesanto
Kimmo Luukkonen
Jukka Jokela
Mauri Visuri

Mikko Jalasto (CEO)

Auditors' report

Sotkamo Silver AB (publ), org.nr 556224-1892

Introduction

We have reviewed the condensed interim financial information (interim report) of Sotkamo Silver AB (publ) as of 30 June 2023 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might

be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 28th July 2023

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

This is a translation of the original Swedish version published on www.silver.fi



About Sotkamo Silver

Sotkamo Silver is a mining and ore prospecting company that develops and utilises 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 taking local stakeholders into account. 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 company also has mining and ore prospecting rights for mineral deposits in the vicinity of the silver mine in Kainuu. 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 (SOSI), Nasdaq Helsinki (SOSI1), and Börse Berlin.

Read more about Sotkamo Silver on www.silver.fi



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The reports are available at
the Company webpage:
www.silver.fi/en/investors

Consolidated, condensed statement of income and other comprehensive income

Amount in MSEK	Q2/23	Q2/22	H1/23	H1/22	2022
Net sales	120.3	90.3	187.6	204.7	370.9
Change of finished goods	0.0	0.8	-1.8	-0.4	1.1
Other income	-0.8	-2.0	-3.4	3.7	11.1
Supplies	-46.1	-55.7	-78.6	-109.3	-215.7
Other expenses	-9.4	-15.5	-23.2	-32.5	-71.4
Employee expenses	-11.2	-11.5	-21.3	-21.9	-42.7
EBITDA	52.9	6.4	59.2	44.2	53.2
Depreciation and amortization	-19.0	-22.6	-35.1	-45.7	-87.4
EBIT	33.8	-16.2	24.1	-1.4	-34.1
Financial income	0.7	18.6	-0.7	18.6	35.4
Financial expenses	-15.5	-8.0	-22.1	-14.0	-27.9
Interest expenses on lease payments	-0.2	-0.3	-0.3	-0.6	-1.1
Financial net	-15.0	10.4	-23.1	4.0	6.3
Result after financial items	18.8	-5.8	1.0	2.6	-27.8
Taxes	-1.8	0.0	-2.8	0.0	0.0
Result for the period	17.1	-5.8	-1.8	2.6	-27.8

Result that may be reclassified to current period result:

Amount in MSEK	Q2/23	Q2/22	H1/23	H1/22	2022
Translation differences	16.9	9.9	18.1	12.4	22.5
Total comprehensive income	34.0	4.0	16.3	15.0	-5.3
Attributable to:					
The parent company shareholders	34.0	4.0	16.3	15.0	-5.3
Total	34.0	4.0	16.3	15.0	-5.3
Earnings per share, non-diluted, SEK	0.06	-0.03	-0.01	0.01	-0.14
Earnings per share, diluted, SEK	0.05	-0.03	-0.01	0.01	-0.14

Consolidated, condensed balance sheet

Amount in MSEK	30.6.2023	30.6.2022	31.12.2022
Assets			
Fixed assets			
Intangible fixed assets	0.3	0.3	0.3
Tangible fixed assets	551.2	524.5	536.7
Right of use assets	11.9	20.8	11.1
Financial fixed assets	29.7	29.6	36.4
Total fixed assets	593.1	575.2	584.5
Current assets			
Inventories	5.4	5.1	6.9
Trade receivables	34.0	25.0	39.0
Other assets	11.6	17.2	11.4
Cash and cash equivalents	35.8	42.7	0.8
Total current assets	86.8	89.9	58.0
Total assets	679.9	665.1	642.5
Equity			
Share capital	275.5	274.9	274.9
Other contributed capital	237.2	212.5	212.5
Retained earnings	-221.6	-226.0	-215.9
Result of the period	-1.8	2.6	-27.8
Total Equity	289.3	264.0	243.7

Amount in MSEK	30.6.2023	30.6.2022	31.12.2022
Liabilities			
Provision	33.3	32.6	31.4
Non-current borrowings	251.0	229.6	240.4
Non-current lease liabilities	7.4	9.6	9.4
Non-current derivative liabilities	2.6	15.8	1.8
Total non-current liabilities	261.0	254.9	251.6
Current borrowings	29.5	16.1	25.8
Current lease liabilities	5.8	15.3	5.6
Trade payables and other payables	61.1	82.2	84.3
Total current liabilities	96.3	113.6	115.7
Total liabilities	390.6	401.1	398.8
Total equity and liabilities	679.9	665.1	642.5
Equity ratio %	42.5	39.7	37.9
Cash liquidity ratio %	89.8	86.3	46.4
Equity per share, SEK	1.01	1.32	1.22
Equity per share, diluted, SEK	0.90	1.11	1.03

Consolidated, condensed change in equity

Amount in MSEK	Share capital	Other contributed capital	Translation differences	Retained earnings	Total equity
Opening equity 1.1.2022	275	213	-4	-234	249
Period result					
Sum of period result				-28	-28
Other Comprehensive income					
Translation difference			23		23
Sum of other comprehensive income	0	0	23	0	23
Closing Equity 31.12.2022	275	213	18	-262	244
PERIOD RESULT				-2	-2
Sum of period result				-2	-2
Other Comprehensive income					
Translation difference			18		18
Sum of other comprehensive income	0	0	18	0	18

Amount in MSEK	Share capital	Other contributed capital	Translation differences	Retained earnings	Total equity
Transactions with shareholders					
Reduction of share capital	-264			264	0
Bonus issue	260			-260	0
Rights issue	5	34			39
Issue costs		-9			-9
Sum of transactions with shareholders	1	25	0	4	29
Closing Equity 30.6.2023	276	237	36	-260	289

Consolidated, condensed statement of cash flow

Amount in MSEK	H1/23	H1/22	2022
Operating activities			
Result for the period	-1.8	2.6	-27.8
Adjustments for items not effecting cash	58.6	38.9	76.0
Interest paid	-11.5	-16.1	-22.5
Cash flow from operating activities before changes in working capital	45.3	25.5	25.8
Cash flow from changes in working capital			
Change in inventories	1.5	0.2	-1.6
Change in operating receivables	13.1	5.3	-8.1
Change in operating liabilities	-29.0	-1.8	-2.7
Cash flow from operating activities	31.0	29.2	13.3

Amount in MSEK	H1/23	H1/22	2022
Investing activities	-14.9	-33.4	-60.9
Share issue and convertible loan conversion	38.6	0.0	0.0
Issue costs	-9.3	0.0	0.0
Repayment of lease liabilities	-5.4	-10.2	-16.6
Change in loans	-5.0	20.2	27.9
Cash flow from financing activities including share issue	19.0	10.0	11.3
Change in cash and cash equivalents	35.0	5.7	-36.3
Cash and cash equivalents in the beginning of the period	0.8	36.7	36.7
Translation differences in cash and cash equivalent	0.0	0.2	0.5
Cash and cash equivalents at the end of period	35.8	42.7	0.8

Parent company condensed statement of income

Amount in MSEK	H1/23	H1/22	2022
Net sales	0.0	0.0	0.0
Other income	0.0	0.0	0.0
Supplies	0.0	-0.1	-0.2
Other expenses	-18.4	-2.8	-5.9
Employee expenses	-0.8	-1.2	-2.5
EBITDA	-19.2	-4.1	-8.6
Depreciation and amortization	0.0	0.0	-0.1
EBIT	-19.3	-4.1	-8.6
Financial income	11.1	42.1	88.2
Financial expenses*	-125.8	-7.9	-371.6
Financial net	-114.7	34.2	-283.4
Result after financial items	-133.9	30.1	-292.0
Group contributions	0.0	0.0	0.0
Taxes	-1.1	0.0	0.0
Result for the period	-135.0	30.1	-292.0

*Note: * Financial expenses consists mainly of write-down of capital loans.

Parent company condensed balance sheet

Amount in MSEK	30.6.2023	30.6.2022	31.12.2022
Assets			
Fixed assets			
Intangible fixed assets	0.0	0.0	0.0
Tangible fixed assets	0.2	0.3	0.3
Shares in subsidiaries	174.9	174.9	174.9
Financial fixed assets	143.0	554.6	247.8
Deferred tax asset	0.0	0.0	0.0
Total fixed assets	318.1	729.8	422.9
Other assets	18.6	16.2	16.6
Cash and cash equivalents	11.0	15.9	0.7
Total current assets	29.6	32.1	17.3
Total assets	347.8	761.9	440.3
Equity and liabilities			
Equity	259.4	690.1	368.0
Liabilities			
Long term liabilities	73.8	68.5	69.3
Short term liabilities	14.6	3.4	2.9
Total liabilities	88.4	71.8	72.3
Total Equity and liabilities	347.8	761.9	440.3

Exchange rates

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

	30.6.2023	30.6.2022	31.12.2022
Balance sheet day rate EUR/SEK	11.79	10.68	11.13
Balance sheet day rate USD/SEK	10.85	8.51	10.44
Average rate for the reporting period EUR/SEK	11.32	10.13	10.63

Parent company

The group has at the end of the quarter evaluated the loan granted by Sotkamo Silver AB to Sotkamo Silver Oy in light of the regulations in IFRS 9 where a loan should be evaluated when interests are not paid. A write-down of 116,3 MSEK has been recorded with the aim of strengthening the equity of the subsidiary. This has no impact on the group accounts.

The Company decided to cancel the 2022 group contribution recognition, which is why it recognized a tax expense of 1.8 MSEK. The company booked a tax liability of 0.9 MSEK for 2021 in Q1/23, bringing this year's

cumulative tax liability to a total of 2.5 MSEK. The Company has received a memorandum from the Finnish Tax Administration (FTA) on the pre-emptive discussion. FTA considers, unlike the Company, the foreign unrealized exchange gain that the Company has reported in its financial statements relating to the intra-group loans granted to Sotkamo Silver Oy to be taxable income in Finnish taxation. The Company has filed a tax return in accordance with FTA's view, but the Company will demand a rectification of the FTA tax decision, apply for a preliminary ruling from the Central Tax Board and apply for a postponement of payment. The Company considers the chances of accepting the rectification claim likely. If the FTA position wins, the Company must pay a tax of approximately 0.8 MEUR added with interest on late payment of 7 %.

Other information

Important estimates and assessments for accounting purposes

Estimates and assessments are continuously evaluated and based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances. The group makes estimates and assumptions about the future. The estimates for accounting purposes that result from this will, by definition, rarely correspond to the actual result. The

estimates and assumptions that entail a significant risk of significant adjustments in the carrying amounts of assets and liabilities are described in the annual report 2022.

Accounting principles

The interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, the Annual Accounts Act and the Securities Market Act. For the parent company, the interim report has been prepared in accordance with the Annual Accounts Act and the Securities Market Act, which is in accordance with the provisions of RFR 2 Accounting for Legal Entities. The parent company's and the group's accounting principles for the report are unchanged compared to the latest annual report for the year 2022.

Revenue recognition, IFRS 15

The Group's revenue primarily consists of sales of silver concentrates and by-products. Sales are recognized as revenue when control of the concentrate is transferred to the customer, which is considered to have been done when the concentrate has been transported and received by the customer. Where the agreements contain multiple performance commitments, the transaction price is allocated to each separate performance commitment based on their standalone selling prices.

For revenue relating to the flotation concentrate, the transaction price is calculated on preliminary data on the amount of concentrate, metal content, metal price, and less reimbursement for treatment costs and contaminant content. Final billing occurs when all input parameters (concentrate quantity, metal content, price, contaminant content, etc.) have been determined. Any changes in the amount of concentrate and metal content on final invoicing are reported as net sales.

Silver concentrates are usually sold within pricing arrangements, which means that the final price is determined by quoted market prices for a specified period after the actual sale date. Regarding these sales, the Group must estimate the transaction price to be received at the sale date considering relevant commodity market prices. Adjustments due to movements in quoted commodity prices are made up to the date of final pricing. This adjustment mechanism is based on the market price of the raw material, whereby the changes in value are not considered to constitute revenue from agreements with customers. The changes in fair value are reported in other operating income/expenses. The metal content between the provisional and final invoices may differ due to refined laboratory analysis. Adjustments due to differences in metal content are made up to the date of final pricing. The changes in fair value are reported in net sales.

Revenue from activities outside ordinary activities is reported as other income.

Inventories

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

Fair value of financial instruments and trade receivables

The Company implemented at the beginning of April 2022 a directed issue of convertibles of an aggregate nominal amount of up to 6.4 MEUR. The convertibles carry an annual interest of 8.0 %. The term of the convertibles is 4.5 years with a maturity date on 30 September 2026, to the extent that conversion has not taken place before such date. The conversion price is 0.175 EUR corresponding to 1.826 SEK per share.

The convertible contains two components: a conversion option component that will be recognized at fair value using the Black-Scholes model through a profit and loss account and a liability component that will be recognized at amortized cost using the effective interest rate method. At the inception date, the fair value of the convertible option liability was 34 MSEK and the fair value of the liability component was 32 MSEK. On June 30, 2023, the fair value of the convertible option component was 3 MSEK and the fair value of the liability component was 44 MSEK. The fair value changes recognized through a profit and loss account were: conversion option liability 1 MSEK, and liability component -3 MSEK.

For other financial instruments, the carrying amount is a reasonable estimate of fair value. The fair value of embedded derivatives is found in Level 2 of the fair value hierarchy. On 30 June 2023, the fair value of accounts receivable amounts to 34 M SEK (25) and is recognized in the item Trade Receivables in Current assets in the balance sheet. If there would have been any changes, the values would be reported in other operating income/expenses in the Consolidated statement of income. The fair value of accounts receivable is found in Level 2 of the fair value hierarchy.

Definition of key figures

EBITDA, Earnings Before Interest, Taxes and Depreciations & Amortizations

EBIT, Earnings Before Interest and Taxes

Equity ratio (%), The equity in relation to total Assets

Earnings per share SEK, The Earnings divided by the number of shares

Cash liquidity (%), Short-term assets minus inventories in relation to short-term liabilities

LTIFR, Lost time injury frequency rate (LTIFR) means the number of lost time injuries for million working hours

Ounce, Troy ounce which is 31.1035 grams.



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