

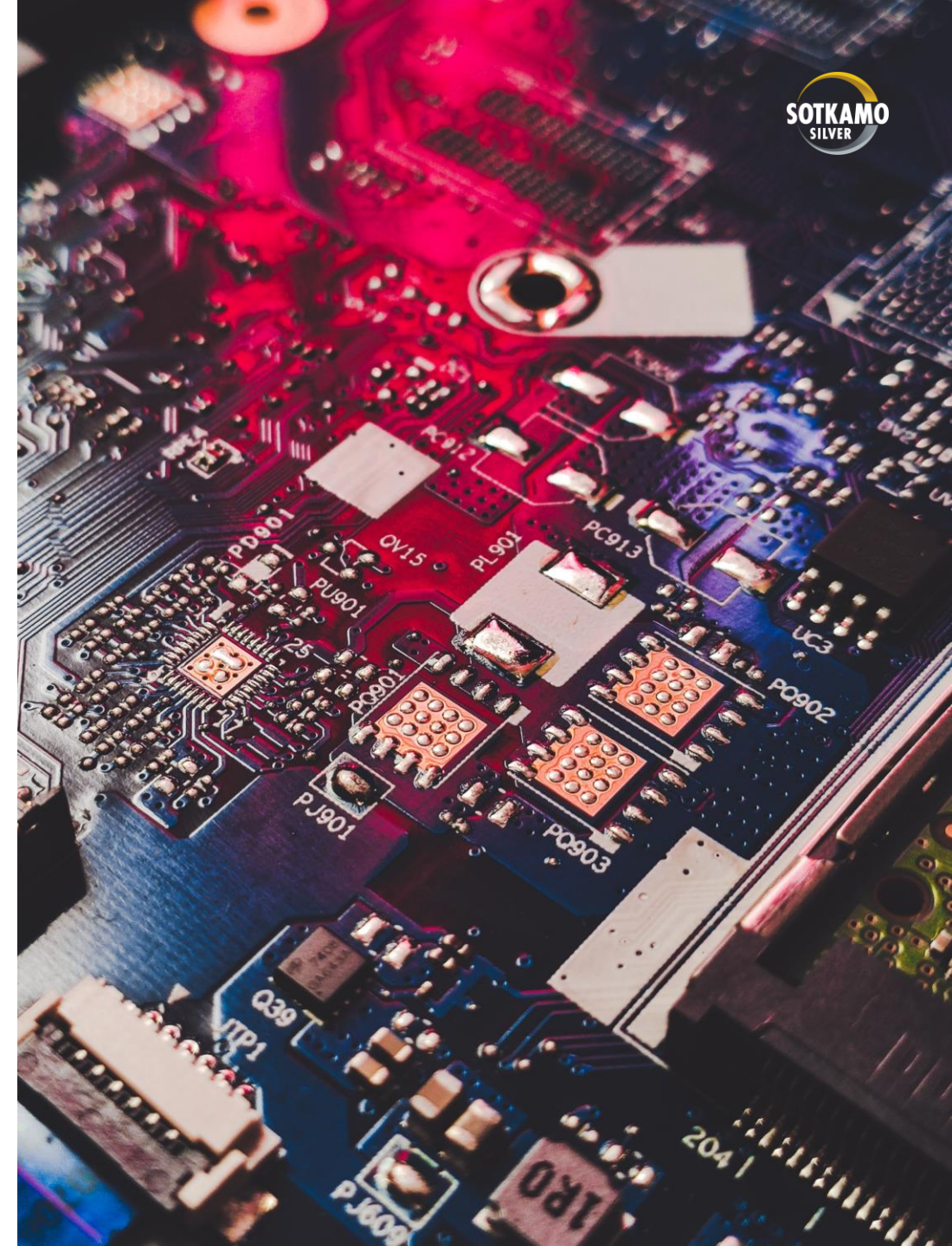
Improved profitability by enhanced operational efficiency and higher silver grade

Half-Year Financial Report Q2/2023



Agenda of the day

- Sotkamo Silver in brief
- Strategy progress update
- Highlights from Q2/2023
 - Financial and operational update
- Outlook
- Q&A



Sotkamo Silver in brief



In brief

Sotkamo Silver supports the global development towards green transition technologies and produces the metals needed responsibly, taking local stakeholders into account

- The silver mine in Sotkamo, Finland, produces silver, gold, zinc, and lead, which are sold to smelters according to a supply agreement
- The Company holds mining and ore prospecting rights for mineral deposits in the vicinity of the silver mine in Kainuu
- The Company collaborates with reliable partners in the value chain
- Sotkamo Silver is committed to operating responsibly

Key financials – Q2/2023

Net sales	EBITDA	EBIT
120 MSEK (90 in Q2/2022)	53 MSEK (6)	34 MSEK (-16)

Operational performance – Q2/2023

Milled ore, tonnes	Silver production	Silver grade, g/tonnes, average
137,000 (169,000)	383 koz (281)	101 (62)

Sotkamo Silver as an investment

1.

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

2.

Continuous Production and a Delivery Contract for Concentrates

3.

Plans to Extend the Life of the Silver Mine

4.

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

5.

Commitment to Sustainable Development



Strategy progress update



The cornerstones of our strategy

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

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

Sustainable use of natural resources

Operational sustainability, sustainable development, transparency, respect and reliability are crucial to Sotkamo Silver's sustainability strategy. By acting locally, Sotkamo Silver influences the well-being of its stakeholders (such as employees, neighbours, local community, and society) by, for example, supplying metals, creating jobs and creating value for shareholders.

Focus on improving operational efficiency in 2023

	2022	2023	2024+
<input checked="" type="checkbox"/>	Sotkamo Silver launched a programme that has enabled the Company to improve cost efficiency and cash flow	<input checked="" type="checkbox"/> Strengthening the financial position through share issues and other financial arrangements	Continuation of the additional programme for infill drilling and deepening of the mine in accordance with the P700 project
<input checked="" type="checkbox"/>	Updated estimates of mineral resources and ore reserves indicate that the mine's operating time will continue until 2030	<input checked="" type="checkbox"/> Transitioning to new mining levels, for improved head grade and turnover	The development of new ore prospecting sites both within geographical regions and in the area around the current silver mine
<input checked="" type="checkbox"/>	The main cooperation agreements have been tendered and renewed	<input checked="" type="checkbox"/> Continuing infill-drilling for ensuring cost-effective and stable production in coming years	Improved cost-effectiveness through changes made on basis of the new underground mining contract
<input checked="" type="checkbox"/>	Deepening the decline tunnel and additional programme for infill drilling	<input checked="" type="checkbox"/> Selling pyrite (by-product) to reduce the environmental impacts and increase resource efficiency	Possibly changing domicile to Finland
<input checked="" type="checkbox"/>	Expanding the tailing pond more cost-effectively	<input type="checkbox"/> Implementing risk management and hedging policy to manage business-related uncertainties	Reach performance level A in accordance with the Finnish network for sustainable exploration as well as the first external auditing in accordance with the standards
<input checked="" type="checkbox"/>	Increasing the concentration plant capacity		
<input checked="" type="checkbox"/>	Adjustment of production when electricity prices are higher in order to optimise cash flows		

Strategy progress update 1/2

Strengthening the financial position through share issues and other financial arrangements

- 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, for improved head grade and turnover

- 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.

Continuing infill-drilling for ensuring cost-effective and stable production in coming years

- 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.

Strategy progress update 2/2

Implementing risk management and hedging policy to manage business-related uncertainties

- 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 (by-product) to reduce the environmental impacts and increase resource efficiency

- 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.

Highlights from Q2/2023

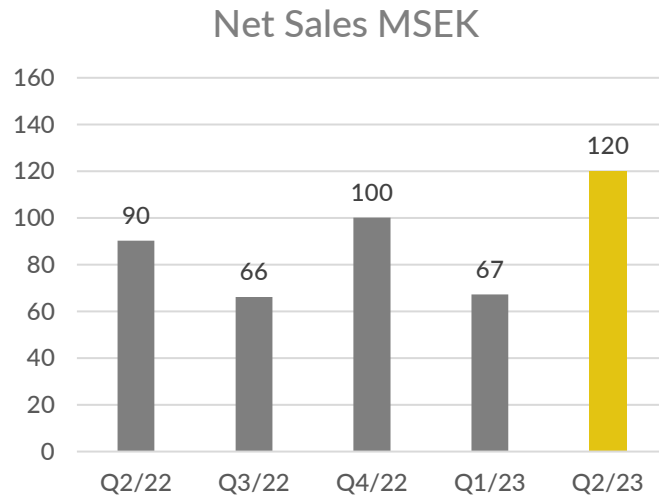


Key takeaways from Q2/2023

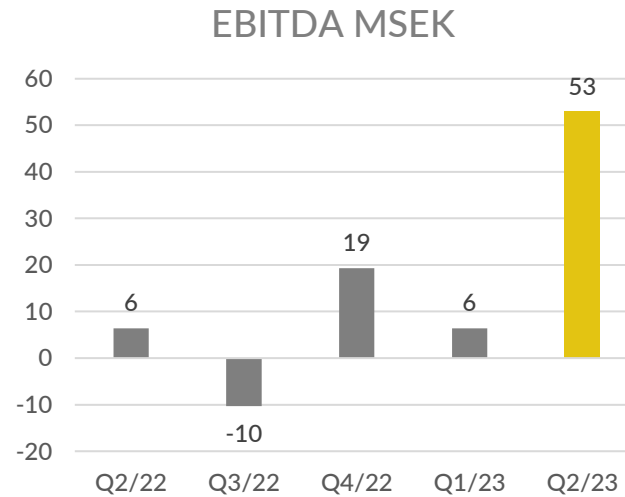
In the second quarter, we have stabilized our mining operations and made stable progress toward our strategic targets for 2023.

- **Net sales** increased by 33%, driven mainly by a higher average silver grade and positive development of silver price.
- **Profitability** increased significantly driven by a higher average silver grade, higher silver price, improved efficiency in mining activities, and decreased energy prices.
- The **cost control measures** initiated previous year also had a positive impact on the Company's operational costs.
- The **extension of the decline** and the **infill drilling** over the past year are now enabling us to increase production volumes and silver grades.
- **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.

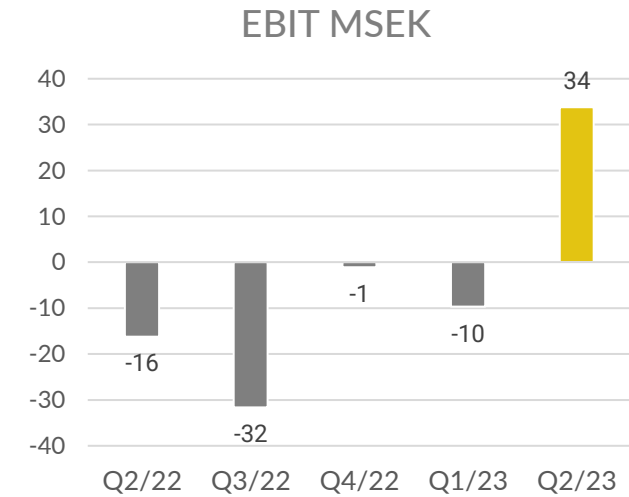
Improved profitability and operational performance



- ✓ **Net sales** increased by 33 percent to 120 MSEK (90), driven mainly by a higher average silver grade and positive development of the silver price

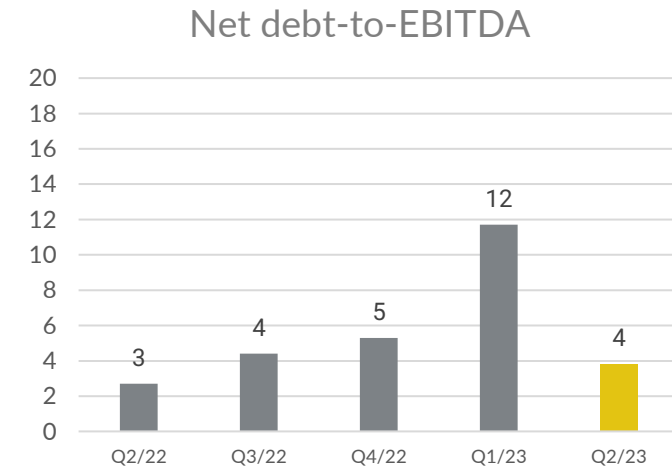
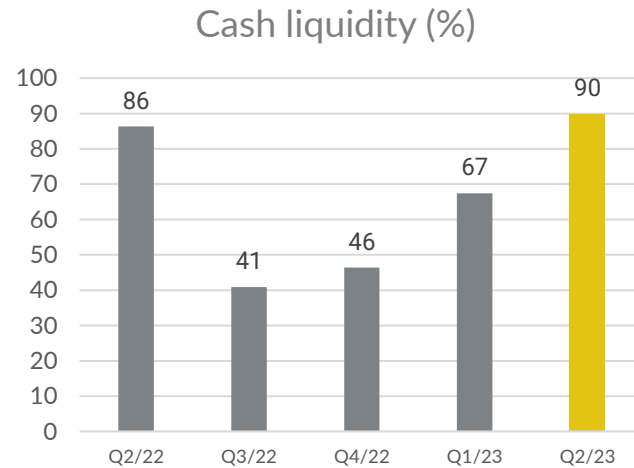
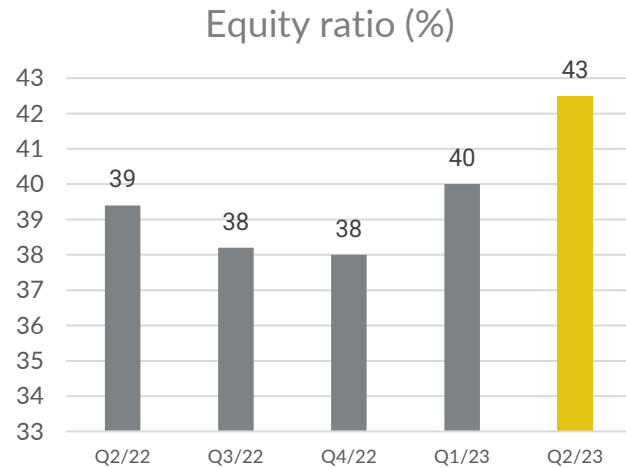


- ✓ **EBITDA** increased by 721 % to 53 MSEK (6), EBITDA margin increased to 44 % (7)
- ✓ **Profitability** increased significantly driven by a higher average silver grade, higher silver price, improved efficiency of mining activities and decreased energy prices. The cost control measures initiated previous year had a positive impact on the Company's operational costs



- ✓ **EBIT** increased to 34 MSEK (-16)

Positive cash flow and improving financial position



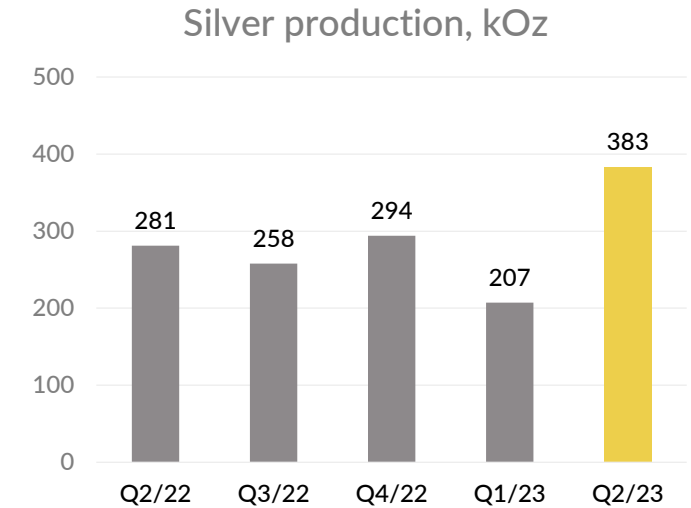
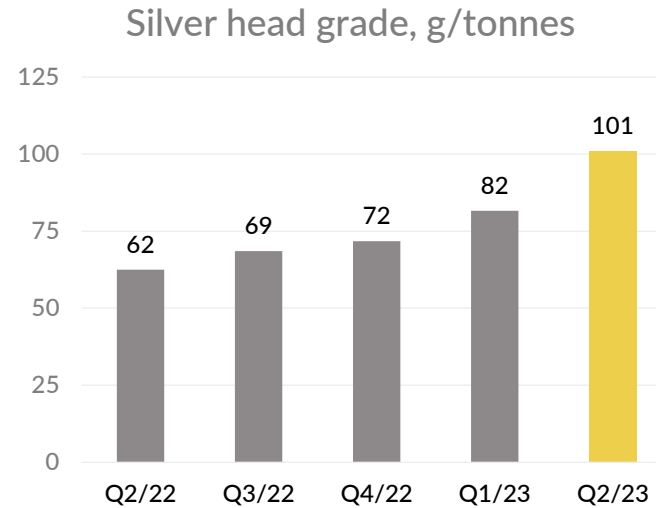
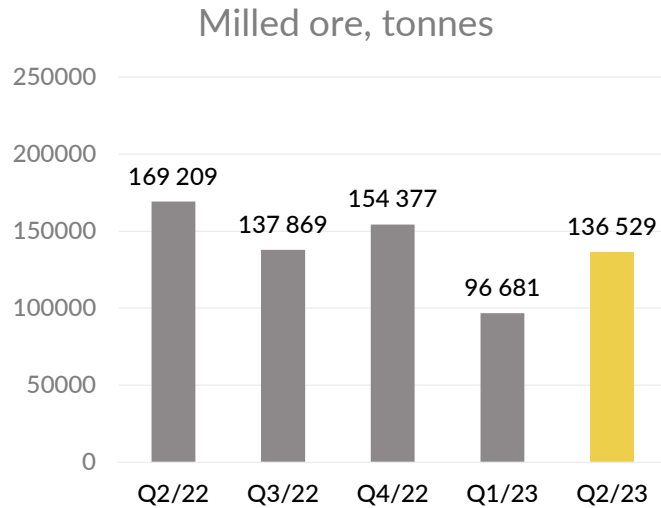
✓ **Equity ratio** increased to 42,5 (39,7), driven mainly by increased equity through share issue and decreased total liabilities

✓ **Cash liquidity ratio** increased to 90 (86). Cash liquidity ratio has improved for four quarters in a row.

✓ **Positive cash flow** during Q1 and Q2/2023

✓ **Net debt-to-EBITDA** fell below four driven mainly by good Q2/2023 EBITDA and improved cash position

The silver head grade continued to improve



- ✓ **The ramp-up with the new mining contractor** proceeded as planned and main processes are well established. Mining fleet is complete, and personnel trained.
- ✓ **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.

- ✓ **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 level.
- ✓ The silver grade is expected to remain at the 90-110 g/tonne level in the coming quarters.

- ✓ In total, **silver production** amounted to 383,000 ounces (281,000)

Several key drivers have improved



Improved silver head grade

The silver grade is expected to remain at the 90-110 g/tonne level in the coming quarters.



Strong silver price momentum

Global silver demand reached a new high of 1.24 billion ounces in 2022, up by 18 % from 2021. According to the forecast, demand will clearly exceed supply also in 2023*



Lower electricity prices

The price of electricity has fallen and according to the forecasts** will remain well below last year's very high level

*Source: <https://www.silverinstitute.org/wp-content/uploads/2023/04/World-Silver-Survey-2023.pdf>

**Source: Volue Insight forecast

Outlook



Guidance for 2023 (unchanged)

- 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.



How to follow us?

- Our investor website:
<https://www.silver.fi/en/investors>
- Follow our Inderes page:
<https://www.inderes.fi/fi/yhtiot/sotkamo-silver>
- Subscribe to our releases:
<https://www.silver.fi/en/investors/press/subscribe>

Financial calendar

30 Aug 2023 Pörssin Avoimet Ovet, Nasdaq

25 Oct 2023 Q3/2023 interim report & webinar



Questions & Answers





Thank you!

Key figures

MSEK	Q2/23	Q2/22	Change, %	H1/23	H1/22	Change, %	2022
Net sales	120	90	33	188	205	-8	371
EBITDA	53	6	721	59	44	34	53
EBITDA margin, %	44	7		32	22		14
EBIT	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

Production of gold, lead and zinc

