



SOTKAMO SILVER AB
(NGM:SOSI; NASDAQ: SOSI1)

Stock Exchange Release 2016-05-25
Stockholm 9.15 A.M.

SUMMARY OF INTERIM REPORT JANUARY - MARCH 2016

- Net profit was KSEK -2,653 (-4,581) and earnings per share to SEK -0.13 (-0.22).
- The Group sale was KSEK 3 (10).
- Cash and cash equivalents was KSEK 5,181 (12,741) at March 31st 2016.
- Investments were during period KSEK 1,011 (1,483).
- Equity was kSEK 122,266 (124,757) at March 31st 2016.
- Financing- and delivery agreement with ABB has been extended
- Silvercontent of the ore-reserves have increased by 22%.
- Updated economic estimates of the silver mine project.
- Updated feasibility study completed for the Silver Mine.

SUMMARY OF SIGNIFICANT EVENTS AFTER THE BALANCE

- The Board of Directors of Sotkamo Silver AB has resolved, subject to approval on an Extra Shareholders meeting on June 7th 2016, on a rights issue of shares of approximately 186 MSEK and warrants of approximately 82 MSEK.
 - Shareholders in the Company have a pre-emptive right to subscribe for one (1) unit consisting of four (4) shares and one (1) warrant of series 2016/2017, for each shares held on the record-date June 9th 2016
 - The subscription price for each Unit is 9 SEK (corresponding to 2,25 SEK for each new share)
 - The Warrant gives the right so subscribe for one (1) share at 4 SEK in August 2017
 - The Company will receive about 186 MSEK, before issue costs, if the Issue is fully subscribed and, in addition, about 82 MSEK if the Warrant is fully subscribed for.
 - A Prospectus for the Issue will be published on June 14th 2016.
 - The Proceeds from the Issue will be used for completion of the plant and commence production in the Companies Silver mine in Sotkamo.
 - The Company has received conditional underwriting commitments from a group of qualified investors of 50 % of the Issue. The underwriting commitment is subject to that the Company receives pre signed subscription-commitments of 20 % of the Issue from the three major shareholders, whereby 70% of the Issue is planned to be guaranteed from pre-subscription and underwriting commitments.
 - The Issue is subject to approval on the Extra shareholders meeting on June 7th 2016.
 - Subscription period is June 15th to June 29th 2016.



The comparative numbers relates to the corresponding period of the previous year's income statement and cash flow items and December 31st 2015 for Balance Sheet items.

MESSAGE FROM THE CEO

It was an eventful first quarter 2016 for the Company. The financing- and supply-agreement with ABB was extended. These, along with the loan- commitment from Tekes, are important parts of the overall financing- package for the Silver Mine. An updated feasibility-study and economic figures based on known mineral-reserves was presented in March. Management's estimated figures for continuation of the project, after the mineralreserves have been obtained, was presented at the same time. These figures have not been studied as thoroughly as for the Feasibility study, but they indicate a future potential of the project.

The Feasibility Study shows good profitability, even under today's silver-price level. The study also shows that the results of the actions and the investments taken during recent years have been successful. Cash Cost and All-in Cash Cost have decreased significantly. According to the prepared cash flow forecast, the estimated IRR is 36 % and the NPV is 50 million EUR (@ 5%).

Management's estimated figures, gives an NPV of 103 million EUR for an 11 years production. All-in Cash Cost is 8.7 \$/oz silver at the average, which means that the EBITDA margin looks very promising.

At year end, the silver price was 13.82 \$/oz as lowest. The recent upward trend looks very positive for the time being. Earlier this spring, the German investment bank, Deutsche Bank and also the analysts at Bank of America Merrill Lynch noted that the silver price fundamentals seem to be at their strongest for many years now, due to reduced mine-production and increased industrial-demand.

Current global macroeconomic environments are positive, due to low global interest rates, omission of interest-rate hikes in the US, rising crude oil-prices and stock-market volatility. The silver price has increased for about 15-25 % from January to early May. This has had a very positive effect on the silver-companies market-values, where the ETF index fund SIL for silver-mining companies has increased by more than 130 %, since January. SIL's (Silver Miners ETF) are traded on the New York Stock Exchange.

Considering the results from the Feasibility Study and the latest market developments, the Board has resolved of a rights issue of units, which consist of both shares and warrants, of total approximately 186 MSEK, for financing the construction of the Silver Mine. This resolution is subject to approval at the Extraordinary General Meeting, which will be held June 7 2016. For the construction, a total of 320 MSEK is needed. Already obtained financing solutions are very positive. The Company believes that the remaining part of the capital-requirement will be financed through debt- instruments, vendor-financing and loans from Tekes.

Against this background, the nearest future looks very positive and confident that the plans decided to implement will be realized. Start of construction-work will be an extraordinary event in Sotkamo Silver's mining history. Commissioning of mining is scheduled for the last quarter 2017, with aim to reach full production during the first half of the 2018.

Since the size of the issue is significant in relation to the Company's market-value, the Board has resolved to suggest to the Extraordinary General Meeting a rights issue where the price is very favourable for current shareholders. One old share gives the right to subscribe for one unit. This unit provides an opportunity to subscribe for four new shares at 9 SEK i.e. 2.25 SEK/share, while the stock price at the time of publishing is 4.5 to 5 SEK. This provide a so-called TERP



discount of 20 %. In addition there is a free share-warrant enclosed with the right to subscribe for one share for 4 SEK until August 31st 2017. This means that one get 5 shares for an average price of 2.60 SEK/share, provided that the warrant also is redeemed. With this favourable pricing, the board wanted to reward those shareholders that have supported the Company over the years it has taken to become a producing company.

Timo Lindborg, CEO

Reporting Dates

- Interim report Q1 - May 25th 2016.
- Interim report Q2 - August 24th 2016.
- Interim report Q3 - November 16th 2017.
- Year End Report 2015 - February 15th 2017.
- Annual General Meeting – March 23th 2017.

Share data

The share capital amounted to SEK 141,596,341.47. Number of shares and votes are 20 643 198. Quota value was SEK 6.86.

A complete Year End Report in Swedish can be downloaded from:

<http://www.silver.fi/sivu/se/delarsrapporter/>

Sotkamo Silver AB discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act

The official Stock Exchange Releases are given in Swedish and there may be slight differences in the translated versions.

Stockholm, 25th May 2016

Sotkamo Silver AB

Timo Lindborg, CEO

The Company's press releases and financial reports are distributed via NGM and are available on www.silver.fi For further information please contact Timo Lindborg, CEO on +46-8-304920.

About Sotkamo Silver AB:

Sotkamo Silver AB's business concept is to exploit mineral deposits in the Nordic countries with regards to human society and environment. Sotkamo Silver owns, through its subsidiary mineral deposits, which contains silver and gold in Finland. The Company's main development project is the Silver Mine project in the municipality of Sotkamo.

Sotkamo Silver applies SveMin's & FinnMin's respective rules of reporting for public mining & exploration companies. Sotkamo Silver has chosen to report mineral resources and ore reserves according to the internationally accepted JORC or NI 43-101-code. The company applies International Financial Reporting Standards (IFRS) as approved by the European Union.

The ticker symbol is SOSI in NGM Equity in Stockholm and SOSI1 in NASDAQ OMX Helsinki. ISIN-code for Sotkamo Silver shares is SE0001057910.



Read more about Sotkamo Silver on www.sotkamosilver.com or www.silver.fi

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