



**NORDIC  
MINING**

# **INTERIM REPORT**

## **Per 30 September 2023**



***MINERALS FOR A SUSTAINABLE FUTURE***

***Safety – Environment – Innovation***

*Engebø Rutile and Garnet AS ("Engebø Rutile and Garnet" or the "Company") is a wholly owned subsidiary of Nordic Mining ASA.*

*The Company is undertaking a large-scale industrial development at Engebø on the west coast of Norway where the Company has mining rights and permits to a substantial eclogite deposit with rutile and garnet.*

*Nordic Mining ASA is listed on Euronext Expand Oslo with ticker "NOM".*

## Engebø Rutile and Garnet interim report for the quarter ended 30 September 2023

The Engebø deposit is one of the largest deposits of natural rutile in the world and has among the highest grades of rutile (TiO<sub>2</sub>) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The Engebø life of mine is 39 years, comprising of 15 years of open pit mining followed by 24 years of underground mining. Favorable location, topography and local hydropower enables efficient and climate friendly production of high-quality natural rutile and garnet. Engebø was fully financed by USD 277 million in March 2023. Following completion of project financing of the Engebø Project the four lump-sum EPC ("Engineering, Procurement and Construction") contracts with Sunnfjord Industripartner AS, Åsen & Øvrelid AS, Nordic Bulk AS and Normatic AS were fully activated. Offtake agreements have been secured for up to the full production of rutile and garnet for the first 5 years of production.

### Highlights

- The Company reported NOK 273.4 million in capitalized costs related to the construction of the Engebø Project in the third quarter, compared to NOK 375.4 million in the second quarter. For the nine months ending 30 September 2023, the total capitalized costs related to *Mine under construction* ended at NOK 791.7 million.

### Main events

- The Company continued construction of the Engebø Project on cost and time, with focus on establishment of concrete foundations for underground crushing chamber and process plant buildings, as well as finalization of laydown areas for the SMPP ("Structural, Mechanical, Piping and Platework") and ECI ("Electro, Instrumentation and Control") EPCs. Reduced activity during summer holidays and less capital-intensive construction activities during the quarter resulted in less capitalized cost compared to the previous quarter.
- The Company entered into a Memorandum of Understanding ("MoU") with Saferock AS for a joint product development project on applicability of residual mineral streams from Nordic Mining's Engebø Project in production of cement binders, targeting a climate friendly alternative to traditional cement.
- During the year the Company completed the financing required for the Engebø Project, consisting of equity contribution from the parent Nordic Mining ASA of NOK 977.2 million following a share issue, a USD 100 million 5-year secured bond (on Nordic ABM, ticker: ERUGA01 PRO) and a USD 50 million royalty financing agreement, the last two subject to certain pre-disbursement conditions precedents. The Company is focused on finalizing the remaining conditions precedent for the first drawdown during November.

### Project development

- The main parts of the Detail Engineering were completed in second and third quarter and main processing areas has accomplished design freeze. The certified information from the mechanical packages has led to finalization of process design and HAZOP ("Hazard and Operability Study") for all main process plants. The maturing engineering process and consequent update of the process design has significantly reduced operational risk for the Project.
- SMPP EPC contract with Nordic Bulk has been renewed in line with the final process design and a new fixed price with the updated scope of work has been agreed between the parties. Changes to scope of work on SMPP were within the parameters of the construction budget.
- Fabrication of long lead mechanical packages are well underway, and first part of packages are being transported to local intermediate warehouse, for easy logistics to site when required. The client provided items ("CPIs") are procured directly by the Company and handed over to the SMPP EPC for mechanical installation. Issues with long fabrication time for certain mechanical packages led management to initiate mitigative actions, with changes in fabrication location to facilitate the project schedule for several packages. The current fabrication time and costs for the CPI packages are in-line with project schedule and construction budget.

- SMPP EPC contractor Nordic Bulk AS and EIC EPC contractor Normatic AS established presence at Engebø, and a significant part of steel infrastructure for the primary crushing station are already received at site.
- With several key resources onboarding in third quarter, the operations team successfully executed another recruiting program with a significant number of relevant applications received during the recruitment period.

## Market development

- Titanium-related markets, such as welding and especially the titanium sponge (metal) market, are experiencing strong demand. This is based on high activity in the aerospace and defense industry combined with increased demand for non-Russian titanium sponge.
- The titanium pigment market continues to experience weakness due to low global housing activity and increased interest rates. Major pigment producers respond by adjusting production utilization rates to demand.
- Demand for garnet abrasives declined in both North America and Europe in the third quarter. The rising interest rates slowed machine sales and strikes in US automotive industry combined with slowed industrial output Europe made that demand softened in the third quarter. With freight costs below pre-pandemic levels, prices are under pressure in Europe.
- The Company has offtake agreements in place for the first five years of production on both rutile and garnet, covering up to the full production.

## Financial performance in third quarter 2023 <sup>1</sup>

Engebø Rutile and Garnet has under construction the Engebø Project and has, so far, no sales revenues from operations. Reported operating loss for the third quarter was NOK -8.2 million (NOK -6.4 million) and NOK -21.2 million Year to date (NOK -28.3 million), resulting from non-capitalizable pre-production operating costs related to the development and construction of the Engebø Project.

Net financial items were NOK 4.1 million in the third quarter and NOK -34.9 million Year to date (NOK -6.4 million), with the main financial items in the third quarter being net loss on foreign exchange related to the bond and bond Escrow of NOK -0.4 million, other foreign exchange gain of NOK 1.0 million, interest income on cash held of NOK 3.8 million, and transaction costs from financing of NOK -0.2 million. Please see note 4 for further information. Borrowing costs on loans from parent company and bond loan, net of interest on bond Escrow, has been capitalized under *Mine under construction* following satisfaction of financing conditions in March 2023, in total NOK 30.8 million in the third quarter and NOK 80.9 million Year to date.

Reported net loss in the third quarter was NOK -4.1 million and NOK -56.1 million Year to date, compared to a net loss of NOK -34.6 million Year to date of 2022.

In the third quarter Engebø Rutile and Garnet has capitalized NOK 273.4 million, in the balance sheet under *Mine under construction*, direct costs related to the construction work at Engebø, down from NOK 375.4 million in the second quarter, resulting from reduced activity during summer holidays and less cost intensive construction activities in the third quarter compared to the previous quarter. Engebø Rutile and Garnet's carrying amount for *Mine under construction* was NOK 1.1 billion as of 30 September 2023 (Second quarter 2023: NOK 859.7 million).

Net cash outflow from operating activities Year to date was NOK -61.1 million as compared to NOK -23.8 million in the same period in 2022. Net cash flow from investment activities Year to date was NOK -626.5 million (NOK -103.9 million) related to investment in *Mine under construction*. Interest on the bond loan for the third quarterly interest rate period of USD 3.1 million (corresponding to NOK 31.7 million) is included in interest and financing fees paid. Please see note 3 for further information related to the bond Escrow account. In March 2023, Nordic Mining contributed the remaining part of the equity project financing of NOK 977.2 million for the Engebø Project

<sup>1</sup> Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2022.

to Engebø Rutile and Garnet, contributing to Year to date net cash flow from financing activities of NOK 905.7 million after transaction costs of NOK –34.8 million related to the share capital increase, and interest and financing fees of NOK –77.5 million. Please see note 4 and 5 for further information.

Engebø Rutile and Garnet's cash and cash equivalents as of 30 September 2023 was NOK 249.9 million (Second quarter 2023: NOK 566.4 million). In addition, the Company had NOK 1.11 billion on restricted Escrow account for bond and NOK 8.4 million on restricted account pledged toward Directorate of Mining ("DirMin") for clean-up measures in accordance with the operating license. Please see note 3 for further information.

Engebø Rutile and Garnet's total assets as of 30 September 2023 was NOK 2.56 billion (31 December 2022: NOK 1.43 billion), and total equity was NOK 993.0 million (31 December 2022: NOK 106.7 million).

For further information relating to the Company's risk assessments, reference is made to the annual report for 2022 which is available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

Oslo, 6 November 2023  
The Board of Directors of Engebø Rutile and Garnet AS

## INCOME STATEMENT

	Note	2023	2022	2023	2022
		01.07-30.09	01.07-30.09	01.01-30.09	01.01-30.09
<i>(Amounts in NOK thousands)</i>		Unaudited	Unaudited	Unaudited	Unaudited
Payroll and related costs		112	(45)	0	(2 027)
Depreciation and amortization		(46)	-	(138)	-
Other operating expenses		(8 266)	(6 362)	(21 101)	(26 230)
<b>Operating profit/(loss)</b>		<b>(8 200)</b>	<b>(6 407)</b>	<b>(21 239)</b>	<b>(28 257)</b>
Net exchange rate gain/loss (-)	4	572	(3)	1 021	(122)
Financial income	4	3 770	(14)	18 722	1
Financial costs	4	(210)	(5 947)	(54 609)	(6 241)
<b>Profit/(loss) before tax</b>		<b>(4 068)</b>	<b>(12 372)</b>	<b>(56 105)</b>	<b>(34 619)</b>
Income tax		-	-	-	-
<b>Profit/(loss) for the period</b>		<b>(4 068)</b>	<b>(12 372)</b>	<b>(56 105)</b>	<b>(34 619)</b>

## STATEMENT OF FINANCIAL POSITION

		30.09.2023	31.12.2022
<i>(Amounts in NOK thousands)</i>		Unaudited	Audited
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Mine under construction	2	1 133 025	341 291
Property, plant and equipment		952	1 090
<b>Total non-current assets</b>		<b>1 133 977</b>	342 381
<b>Current assets</b>			
Trade and other receivables		62 152	21 584
Bond Escrow	3	1 107 965	1 032 597
Restricted cash		8 430	4 215
Cash and cash equivalents		249 871	32 377
<b>Total current assets</b>		<b>1 428 417</b>	1 090 774
<b>Total assets</b>		<b>2 562 394</b>	1 433 155
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	5	26 078	24 705
Share premium		1 105 752	164 700
Unregistered equity		-	-
Retained earnings/(losses)		(138 852)	(82 747)
<b>Total equity</b>		<b>992 977</b>	106 658
<b>Non-current liabilities</b>			
Bond loan	3	941 925	-
Liability to parent company		479 906	413 885
<b>Total non-current liabilities</b>		<b>1 421 831</b>	413 885
<b>Current liabilities</b>			
Trade payables		82 206	37 549
Bond loan	3	-	850 825
Other current liabilities		65 381	24 238
<b>Total current liabilities</b>		<b>147 586</b>	912 612
<b>Total liabilities</b>		<b>1 569 417</b>	1 326 497
<b>Total shareholders' equity and liabilities</b>		<b>2 562 394</b>	1 433 155

**STATEMENT OF CHANGES IN EQUITY**  
**Unaudited**

<b>Attributed to equity holders of the parent</b>					
<i>(Amounts in NOK thousands)</i>	Note	<b>Share capital</b>	<b>Share premium</b>	<b>Accumulated losses</b>	<b>Total equity</b>
<b>Equity 1 January 2023</b>		<b>24 705</b>	<b>164 700</b>	<b>(82 747)</b>	<b>106 658</b>
Profit/(loss) for the period		-	-	(56 105)	(56 105)
Share issue conversion of debt	5	1 373	975 848	-	977 220
Transaction costs		-	(34 796)	-	(34 796)
<b>Equity 30 September 2023</b>		<b>26 078</b>	<b>1 105 752</b>	<b>(138 852)</b>	<b>992 977</b>

## CONDENSED STATEMENT OF CASH FLOW

	<b>2023</b>	2022
	<b>01.01-30.09</b>	01.01-30.09
<i>(Amounts in NOK thousands)</i>	Note	Unaudited
	<b>Unaudited</b>	Unaudited
<b>Operating activities:</b>		
<b>Net cash used in operating activities</b>	<b>(61 109)</b>	(23 841)
<b>Investing activities:</b>		
Investment in mine under construction	<b>(626 466)</b>	(103 879)
<b>Net cash used in investing activities</b>	<b>(626 465)</b>	(103 879)
<b>Financing activities:</b>		
Transaction costs, share issue	<b>(34 796)</b>	-
Interest and financing fees paid	<b>(77 510)</b>	-
Net proceeds from borrowings from parent company	<b>1 018 052</b>	132 576
<b>Net cash from financing activities</b>	<b>905 746</b>	<b>132 576</b>
<b>Net change in cash and cash equivalents</b>	<b>218 172</b>	4 855
<b>Cash and cash equivalents at beginning of period</b>	<b>32 377</b>	2 447
Effect of exchange rate fluctuation on cash held	<b>(679)</b>	-
<b>Cash and cash equivalents at end of period</b>	<b>249 871</b>	7 302
Net change in restricted cash	4 215	-
Restricted cash at beginning of period	4 215	-
Restricted cash at end of period	<b>8 430</b>	-
<b>Restricted and unrestricted cash at end of period</b>	<b>258 301</b>	7 302



## **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 September 2023**

### **Note 1 – ACCOUNTING PRINCIPLES**

These interim financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. They do not include all the information required for full annual financial reporting and should be read in conjunction with the annual financial statements of Engebø Rutile and Garnet AS (former Nordic Rutile AS) for the year ended 31 December 2022.

This report was authorized for issue by the Board of Directors on 6 November 2023.

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022.

### **Note 2 - MINE UNDER CONSTRUCTION**

In April 2022 Engebø Rutile and Garnet AS exercised the agreements with landowners to acquire the main properties at Engebø, which includes immediate access to the process plant area. Engebø Rutile and Garnet is in construction of the Engebø Project, which work includes continuation of Detail Engineering, procurement and fabrication of critical process equipment, groundwork on the mine access road and ground – and building works on the process plant area, and tunnel work and raise drilling of the vertical ore pass.

The direct costs related to the work described above has in 2023 been capitalized in the balance sheet as *Mine under construction*.

### **Note 3 - BOND LOAN AND BOND ESCROW**

In November 2022, Engebø Rutile and Garnet AS completed the issue of a USD 100 million 5-year senior secured bond. The bonds are administered by Nordic Trustee. The bond has fixed coupon of 12.5% per annum, with interest payable quarterly in arrears, and an issue price of 90%. The bond is listed on Nordic ABM with ticker: ERUGA01 PRO.

The net proceeds of the bonds of USD 90 million was on issue deposited into a Bond Escrow account, together with issue discount of USD 10 million, four months bond interest of USD 4.2 million, and transaction costs of USD 3.3 million, transferred by Engebø Rutile and Garnet AS in line with the bond terms. Following conditions of the Engebø Project being fully funded, which were satisfied on 8 March 2023, the bonds are reclassified to non-current liability in the statement of financial position. The proceeds from the bond will be released in three tranches from the Bond Escrow account after satisfaction of certain pre-disbursement conditions precedent, to be used for costs and expenditures to bring the Engebø Project into commercial production.

### **Note 4 - FINANCIAL INCOME AND FINANCIAL COSTS**

Exchange rate gains and losses have in previous periods before Q3-23 been classified under financial income and financial costs. From Q3-23 onwards, the Company has classified exchange rate gains and losses on a separate line item in the income statement; Net exchange rate gain/loss (-). The income statement from previous periods are reclassified accordingly.

Net exchange rate gain/loss (-) in the third quarter and YTD 2023 consists mainly of:

- foreign exchange loss of NOK -15.3 million on bond Escrow in USD (YTD 2023: gain NOK 77.9 million);
- foreign exchange gain of NOK 14.9 million on the USD bond loan (YTD 2023: loss NOK -76.5 million), and;
- other foreign exchange gain of NOK 1.0 million (YTD 2023: loss NOK -0.3 million).

Financial income in the third quarter and YTD 2023 consists mainly of:

- interest on cash held and bond Escrow of NOK 3.8 million (YTD 2023: NOK 18.8 million).

Financial costs in the third quarter and YTD 2023 consists mainly of:

- interest and transaction costs on bond loan of NOK 0.0 million as borrowing costs has been capitalized to *Mine under construction* (YTD 2023: NOK 30.1 million), and;
- transaction costs from financing of NOK 0.2 million (YTD 2023: NOK 24.5 million).

**Note 5 - SHARE CAPITAL**

In March 2023 a share issue by conversion of debt to parent company was approved. The share issue increases the share capital with NOK 1,372,500 from NOK 24,705,000 to NOK 26,077,500 by increasing the par value with NOK 100 per share from NOK 1,800 to NOK 1,900. The share issue price is total NOK 71,200 per share, and the total share issue is NOK 977,220,000. Following registration of the share issue in April 2023 the Company's share capital is NOK 26,077,500 divided into 13,725 shares, each with a par value of NOK 1,900.