

INTERIM REPORT

Per 31 December 2023



MINERALS FOR A SUSTAINABLE FUTURE

Safety – Environment – Innovation

Engerbø Rutile and Garnet AS ("Engerbø 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 Engerbø 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".

Engerbø Rutile and Garnet interim report for the quarter ended 31 December 2023

The Engebø deposit is one of the largest deposits of natural rutile in the world and has among the highest grades of rutile (TiO₂) 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 329.4 million in capitalized costs related to the construction of the Engebø Project in the fourth quarter, compared to NOK 273.4 million in the third quarter. For the full year 2023, the total capitalized costs related to *Mine under construction* ended at NOK 1.1 billion. The Company's consolidated carrying amount for *Mine under construction* was NOK 1.46 billion as of 31 December 2023
- In November the Company completed drawdown of the USD 50 million non-dilutive royalty instrument from OMFR (Zr) LLC, which is managed by the Orion Resource Partners Group. Subsequently the instrument was measured at amortized cost, reflected as a liability with a value of NOK 517.6 million at year-end 2023.

Main events

- The Company continued construction of the Project in the fourth quarter with focus on concrete foundations for the underground crushing chamber and process plant buildings, and startup of mechanical installation for primary crushing and processing.
- No lost time injuries (LTI) have been registered at the Engebø Project site in the 4th quarter, ending the year 2023 and project to date with zero lost time injuries.
- 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, and a USD 100 million 5-year secured bond (on Nordic ABM, ticker: ERUGA01 PRO) and a USD 50 million royalty financing agreement. The Company is focused on finalizing the remaining conditions precedent for the first bond escrow drawdown of USD 30 million during Q1 2024.

Project development and economy

- The administration and workshop building are close to finalization and installation of interiors and office furniture will start in Q1-24 according to plan. At the end of the quarter, remaining work for administration building is related to surface work and startup of all technical installations.
- The SMPP ("Structural, Mechanical, Piping and Platework") EPC contractor, Nordic Bulk has in the quarter installed a significant part of the steel structure for the crushing station in the Comminution and Milling Plant and started installation of sumps and pumps along with building structure for the Wet plant.
- Fabrication of long lead mechanical packages are well underway. Several packages have reached the intermediate warehouse, and some are partly delivered to the project site at Engebø. The client provided items ("CPIs") are procured directly by the Company and handed over to the SMPP EPC for mechanical installation. The project sees increased risk on global logistics with potential delays of shipment from oversea fabrication locations to site. The project is continuously evaluating impact on construction schedule and potential pro-active and mitigative actions.
- Groundwork EPC contractor has started construction of water management infrastructure and sedimentation facilities according to the approved site wide waste management plan. Significant progress on buried services by installation of cable sleeves and piping in the process area has been achieved, while maintaining access for mechanical installation.

- The Engebø project cost has been impacted by contract and scope changes, inflation, salary increases, and the weak NOK compared to important currencies such as EUR and USD. Most project expenses are paid in NOK with all four EPC contracts denominated in NOK and owners' expenses in NOK. The weak NOK during 2023 has contributed to increased project costs compared to the initial estimates, while the USD 50 million royalty financing was drawn at a time when the NOK was weak compared to the USD and the Company was able to exchange at favorable exchange rates. Similarly, after the project starts deliveries to customers it will generate revenue in USD while most operating costs will be in NOK. The Company is continuously considering opportunities to hedge the currency exposure.
- The Company has historically presented the project economy in USD and the terms of the financing agreements are based on the project economy denominated in USD. The estimated project contingency and estimated project reserve are therefore dependent on the USDNOK exchange rate and will fluctuate with the USDNOK exchange rate. As of the date of this report, the project contingency is fully committed and the Company expects the Engebø project to require approximately USD 5 million of the project reserve of USD 30 million. The Company further expects to allocate the remaining project reserve to the Company to ensure its robustness and to meet the minimum liquidity requirement of USD 15 million as per the bond agreement.

Market development

- Although the titanium dioxide market is still reported to be slow, mainly due to the state of the real estate sector in Europe, China and the Americas, positive signals emerged towards the end of 2023, with improved sales volumes reported by TiO₂ pigment producers.
- Two factors that could be supportive for European pigment production onwards:
 - The European Commission officially initiated an anti-dumping proceeding on imports of titanium dioxide from China into the European Union last November.
 - Increased freight rates and shipping challenges due to the Red Sea crisis for imported pigment into Europe.
- TiO₂ feedstock producers are reporting sluggish demand but with a more positive outlook going into 2024.
- Stock inventories throughout the titanium pigment value chain are reported to be at low levels, especially with the pigment producers.
- The resilient Titanium metal demand stands in contrast and is fueled by the recovering aircraft industry.
- The garnet markets experienced a normal seasonal dip in both North America and Europe during the 4th quarter. Severe weather in the United States in December caused logistical challenges across the country and slowed demand accordingly. The economy in the USA continued to strengthen during the quarter but the conflicts in Ukraine and the Middle East impacted the European economy. Logistics costs for the European users of garnet are rising for products that are traditionally shipped through the Suez Canal.
- Nordic Mining 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 fourth quarter 2023 ¹

The Engebø Project is under construction and the Company has, so far, no sales revenues from operations. Reported operating loss for the fourth quarter was NOK -6.1 million (NOK -8.2 million) and NOK -27.3 million for the full year (NOK -36.4 million), resulting from non-capitalizable pre-production operating costs related to the development and construction of the Engebø Project.

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

Net financial items were NOK 27.9 million in the fourth quarter and NOK –7.0 million for the full year (NOK -35.9 million), with the main financial items in the fourth quarter being net loss on foreign exchange related to the bond loan, bond Escrow and royalty liability of NOK 29.7 million, other foreign exchange loss of NOK 5.4 million, interest income on cash held of NOK 4.0 million, and transaction costs from financing of NOK –0.4 million. Please see note 5 for further information. Borrowing costs on loans from parent company and bond loan, net of interest on bond Escrow, following satisfaction of financing conditions in March 2023 and borrowing costs on the royalty liability has been capitalized under *Mine under construction*, in total NOK 44.2 million in the fourth quarter and NOK 125.1 million for the full year.

Reported net profit in the fourth quarter was NOK 21.8 million and net loss of NOK –34.3 million for the full year, compared to a net loss of NOK –72.3 million for the full year 2022.

In the fourth quarter Engebø Rutile and Garnet has capitalized NOK 329.4 million, in the balance sheet under *Mine under construction*, direct costs related to the construction work at Engebø, up from NOK 273.4 million in the third quarter, resulting from increased activity compared to the previous quarter. Engebø Rutile and Garnet's carrying amount for *Mine under construction* was NOK 1.46 billion as of 31 December 2023 (Third quarter 2023: NOK 1.13 billion).

Net cash outflow from operating activities for the full year was NOK –26.2 million as compared to NOK –46.7 million in 2022. Net cash flow from investment activities for the full year was NOK –885.2 million (NOK -234.7 million) related to investment in *Mine under construction*. Interest on the bond loan for the fourth quarterly interest rate period of USD 3.1 million (corresponding to NOK 34.9 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 to Engebø Rutile and Garnet, and in November 2023 the Group completed the drawdown of NOK 536.8 million under the Royalty Agreement contributing to full year net cash flow from financing activities of NOK 1.4 billion after transaction costs of NOK –34.8 million related to the share capital increase, and interest and financing fees of NOK –112.4 million. Please see note 4, 5 and 6 for further information.

Engebø Rutile and Garnet's cash and cash equivalents as of 31 December 2023 was NOK 522.2 million (Third quarter 2023: NOK 249.9 million). In addition, the Company had NOK 1.1 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 31 December 2023 was NOK 3.1 billion (31 December 2022: NOK 1.4 billion), and total equity was NOK 1.0 billion (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.

Oslo, 5 February 2024
The Board of Directors of Engebø Rutile and Garnet AS

INCOME STATEMENT

	Note	2023	2022	2023	2022
		01.10-31.12	01.10-31.12	01.01-31.12	01.01-31.12
<i>(Amounts in NOK thousands)</i>		Unaudited	Unaudited	Unaudited	Audited
Payroll and related costs		(0)	8	(0)	(2 019)
Depreciation and amortization		(42)	(31)	(180)	(31)
Other operating expenses		(6 051)	(8 163)	(27 152)	(34 393)
Operating profit/(loss)		(6 093)	(8 186)	(27 333)	(36 442)
Net exchange rate gain/loss (-)	5	24 206	(3 229)	25 227	(3 351)
Financial income	5	4 014	5 843	22 736	5 844
Financial costs	5	(367)	(32 153)	(54 976)	(38 394)
Profit/(loss) before tax		21 760	(37 725)	(34 345)	(72 343)
Income tax		-	-	-	-
Profit/(loss) for the period		21 760	(37 725)	(34 345)	(72 343)

STATEMENT OF FINANCIAL POSITION

		31.12.2023	31.12.2022
(Amounts in NOK thousands)	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Mine under construction	2	1 462 466	341 291
Property, plant and equipment		912	1 090
Total non-current assets		1 463 378	342 381
Current assets			
Trade and other receivables		28 904	21 584
Bond Escrow	3	1 075 042	1 032 597
Restricted cash		8 430	4 215
Cash and cash equivalents		522 164	32 377
Total current assets		1 634 541	1 090 774
Total assets		3 097 919	1 433 155
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	6	26 078	24 705
Share premium		1 105 752	164 700
Retained earnings/(losses)		(117 092)	(82 747)
Total equity		1 014 737	106 658
Non-current liabilities			
Bond loan	3	902 182	-
Royalty liability	4	517 574	-
Liability to parent company		487 220	413 885
Total non-current liabilities		1 906 975	413 885
Current liabilities			
Trade payables		93 552	37 549
Bond loan	3	-	850 825
Other current liabilities		82 655	24 238
Total current liabilities		176 207	912 612
Total liabilities		2 083 182	1 326 497
Total shareholders' equity and liabilities		3 097 919	1 433 155

STATEMENT OF CHANGES IN EQUITY

Unaudited

<i>(Amounts in NOK thousands)</i>	Note	Share capital	Share premium	Accumulated losses	Total equity
Equity 1 January 2023		24 705	164 700	(82 747)	106 658
Profit/(loss) for the period		-	-	(34 345)	(34 345)
Share issue conversion of debt	5	1 373	975 848	-	977 220
Transaction costs		-	(34 796)	-	(34 796)
Equity 31 December 2023		26 078	1 105 752	(117 092)	1 014 737

CONDENSED STATEMENT OF CASH FLOW

	2023	2022
	01.01-31.12	01.01-31.12
<i>(Amounts in NOK thousands)</i>	Unaudited	Audited
Operating activities:		
Net cash used in operating activities	(26 204)	(46 682)
Investing activities:		
Investment in mine under construction	(885 096)	(233 748)
Acquisition of property, plant and equipment	(478)	(921)
Sale of property, plant and equipment	359	-
Net cash used in investing activities	(885 215)	(234 669)
Financing activities:		
Share issuance	-	-
Transaction costs, share issue	(34 796)	-
Transfer to Bond Escrow	0	(178 783)
Net proceeds from royalty financing	536 820	-
Interest and financing fees paid	(112 380)	(17 440)
Net proceeds from borrowings from parent company	1 018 052	508 751
Net cash from financing activities	1 407 696	312 528
Net change in cash and cash equivalents	496 278	31 176
Cash and cash equivalents at beginning of period	32 377	2 447
Effect of exchange rate fluctuation on cash held	(6 491)	(1 245)
Cash and cash equivalents at end of period	522 164	32 377
Net change in restricted cash	4 215	4 215
Restricted cash at beginning of period	4 215	-
Restricted cash at end of period	8 430	4 215
Restricted and unrestricted cash at end of period	530 594	36 592

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 December 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 5 February 2024.

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.

The royalty liability is amortized at the effective interest rate, and the difference between the drawdown received net of transaction costs and the royalty payments will be recognized as financial cost in the income statement, over the period for the expected royalty payments. At each reporting period, modifications to production plans and price expectations are evaluated, and when required, a modification gain/loss is recognized. Estimated royalty payments due within 12 months will be classified as current liabilities.

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 – ROYALTY LIABILITY

In November 2023 Engebø Rutile and Garnet AS has completed drawdown of the USD 50 million non-dilutive royalty instrument from OMRF (Zr) LLC which is managed by the Orion Resource Partners Group ("Orion"). The future royalty payments under the royalty agreement equal to 11% of gross revenue from the Engebø Project.

The royalty liability is initially recognized at the USD 50 million drawdown received net of directly attributable transaction costs at drawdown. After initial recognition the liability under the royalty agreement is subsequently measured at amortized cost using the effective interest method.

Amortized cost is recognized as borrowing cost and capitalized under *Mine under construction* until construction is completed, in total NOK 12.3 million in the fourth quarter.

Note 5 - NET EXCHANGE RATE GAIN/LOSS (-), 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 statements from previous periods are reclassified accordingly.

2023

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

- foreign exchange loss of NOK -46.9 million on bond Escrow in USD (FY 2023: gain NOK 30.9 million);
- foreign exchange gain of NOK 45.0 million on the USD bond loan (FY 2023: loss NOK -31.5 million), and;
- foreign exchange gain of NOK 31.6 million on the USD royalty liability (FY 2023: gain NOK 31.6 million), and;
- other foreign exchange loss of NOK -5.4 million (FY 2023: loss NOK -5.7 million).

Financial income in the fourth quarter and FY 2023 consists mainly of:

- interest on cash held and bond Escrow of NOK 4.0 million (FY 2023: NOK 22.7 million).

Financial costs in the fourth quarter and FY 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* (FY 2023: NOK 30.1 million), and;
- transaction costs from financing of NOK 0.3 million (FY 2023: NOK 24.8 million).

2022

Net exchange rate gain/loss (-) in the fourth quarter of 2022 and FY 2022 consists mainly of:

- foreign exchange loss of NOK -42.5 million on bond Escrow in USD (FY 2022: loss NOK -42,5 million); and
- foreign exchange gain of NOK 39.5 million on the USD bond loan (FY 2022: gain NOK 39.5 million).

Financial income in the fourth quarter of 2022 and FY 2022 consists mainly of:

- interest on cash held and bond Escrow of NOK 5.8 million (FY 2022: NOK 5.8 million).

Financial costs in the fourth quarter of 2022 and FY 2022 consists mainly of:

- interest costs on bond loan of NOK 17.5 million (FY 2022: NOK 17.5 million),
- transaction costs from financing of NOK 14.0 million (FY 2022: NOK 18.4 million); and
- interest on liability to parent company of NOK 0.6 million (FY 2022: NOK 2.5 million).

Note 6 - 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.