

INTERIM REPORT

Per 30 June 2024



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".

Engerbø Rutile and Garnet interim report for the quarter ended 30 June 2024

The Engebø deposit 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 15 years of open pit mining followed by 24 years of underground mining. Favorable location, topography and local, green 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 & Øvreid 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 392.8 million in capitalized costs related to the construction of the Engebø Project in the second quarter, compared to NOK 550.8 million in the first quarter of 2024. The Company's carrying amount for Mine under construction and Property, plant and equipment was NOK 2.4 billion as of 30 June 2024.
- In May the Company completed the second release of USD 30 million from the bond Escrow account that holds the proceeds from the issuance of the USD 100 million senior secured bond. The release was another important milestone for the Engebø Project as the independent engineer appointed on behalf of the bondholders confirmed for a second time that a cost-to-complete test had been satisfied. The third-party assessment of the Company's projections asserts that the Engebø Project has sufficient funding and will be completed on time. Subsequently, in August the Company completed the third and final release for USD 48 million.

Main events

- Key milestones successfully achieved on mechanical installation:
 - Mechanical installation of the crushing and comminution circuit.
 - Mechanical installation of the milling and screening circuit.
 - Mechanical installation of the major mineral processing equipment.
 - Mechanical installation of bulk materials handling equipment.
 - Erected prefabricated concrete modules for product silos.
- No lost time injuries ("LTI") have been registered at the Engebø Project site during the second quarter of 2024.
- Project to date has reported over 250,000 working hours registered by the four EPCs, including subcontractors, with zero LTIs.

Engerbø project development and economy

- Fabrication of all long lead mechanical packages was completed before the end of the quarter. The majority of the mechanical packages have been stored in the intermediate warehouse with continuous deliveries to the project site at Engebø as required for installation. The CPIs are procured directly by the Company and released to the SMPP EPC for mechanical installation when delivered at Engebø. The project has been able to

mitigate all significant fabrication and logistics risks related to CPIs without impacting the planned schedule for the production ramp-up.

- The Civil and Buildings contractor, Aasen & Øvreid is starting installation of the roof and wall panels on the last processing building in August as per the schedule. All major civil works have been completed.
- The SMPP EPC contractor, Nordic Bulk, has finalized installation of main process equipment in all areas. Mechanical completion walkthrough executed in July for the Primary Crushing and Comminution and Milling Plant.
- The E&I contractor, Normatic is progressing on cable installation between MCC rooms and equipment in all areas. Loop checks have commenced in the Primary Crushing Area. Automation System is fully up and running on servers with control room completed and ready for commissioning.
- Second and third wave of recruitment for operations has been successful. The Operational team now has a total headcount of 71 persons with 29 of these onboarding in September.
- The company has entered into a 5-year mining alliance agreement with Sunnfjord Industripartner AS to deliver mining services for the open-pit operations to be commenced in parallel with production ramp-up.
- The Company acted in Q1 2024 to secure the Engebø Project against potential negative USD/NOK exchange rate movements to ensure that a potential strengthening of the NOK would not negatively impact the estimated remaining project reserve. As of quarter end the Company had one remaining forward Foreign Exchange (FX) position for sale of USD 20 million with value date aligned with the expected bond Escrow account release date for the third release.
- The robustness of the guided project economy continued to improve in the second quarter of 2024 with the second release from the bond Escrow account, stronger exchange rates and solid progression on the construction of the project during the quarter.

Market development

- Most western titanium dioxide pigment producers reported 2024 demand levels to be above 2023 level. First half 2024 sales volumes were positively influenced by inventory rebuilding as pigment buyers' inventories were low at the end of 2023.
 - The housing market in the western hemisphere is still slow and could have a negative effect in the remainder of the year.
- The main titanium feedstock manufacturers reported strong quarterly sales on the back of high Chinese pigment production.
 - The European Commission implemented regulation (EU) 2024/1923 of 10 July 2024, imposing a provisional anti-dumping duty on imports of titanium dioxide originating in the People's Republic of China of between 35 to 40%. This will most likely reduce the import of Chinese pigment into Europe and could strengthen the European and US pigment industries, which are important consumers of rutile.
- The titanium metal demand remains strong based on the high demand and backlog for commercial aircraft as well as recovering demand in the semiconductor sector.

- Demand for waterjet abrasives remained steady in both North America and Europe during the quarter, however, supply disruptions from South Africa and high freight costs from Australasia began to impact the market. New waterjet machine sales, which provide a view of future growth, slowed during the quarter as high interest and lower utilization rates impacted the market.
- 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 second quarter 2024 and first half 2024¹⁾

The Engebø Project is under construction and the Company has, so far, no sales revenues from operations. Reported operating loss for the second quarter was NOK -8.5 million (NOK -5.8 million) and NOK -3.9 million (NOK -13.0 million) for the first half 2024.

Net financial items were NOK 22.0 million in the second quarter (NOK 2.0 million), and NOK -19.8 million in the first half of 2024 (NOK -39.0 million), with the main financial items in the second quarter being net gain on foreign exchange related to the bond loan, bond Escrow and royalty liability of NOK 15.3 million, other foreign exchange loss of NOK -1,7 million, gain on foreign exchange derivatives of NOK 5.3 million, interest on cash held of NOK 3.6 million and transaction costs from financing of NOK -0.5 million. Please see note 7 and 8 for further information. Borrowing costs on loans from parent company, the bond loan and the royalty liability, net of interest on bond Escrow, has been capitalized under Mine under construction, in total NOK -123.2 million in the first half of 2024.

Reported net profit in the second quarter was NOK 13.5 million (NOK -3.8 million) and reported net loss in the first half of 2024 was NOK -23.7 million (NOK -52.0 million).

In the second quarter, the Company has capitalized costs of NOK 392.8 million on the balance sheet under Mine under construction, down from NOK 550.8 million in the first quarter of 2024 due to less capital-intensive work in the quarter. NOK 41.3 million related to the administration building was moved from Mine under construction to Property, plant and equipment in the second quarter due to the completion and subsequent use of the administration building as the main office for Engebø Rutile and Garnet AS. The Company's combined carrying amount for Mine under construction and Property, plant and equipment was NOK 2.4 billion as of 30 June 2024 (First quarter 2024: NOK 2.0 billion).

Net cash flow from operating activities for the first half 2024 was NOK -15.3 million (NOK -40.6 million). Net cash flow from investment activities related to investment in Mine under construction for the first half of 2024 was NOK -726.4 million (NOK -363.1 million), and NOK -39.2 million (NOK 0.0 million) related to acquisition of property, plant and equipment. The cash flow amount does not include capitalized net borrowing costs or outstanding payables, both of which are booked on the balance sheet under Mine under construction and Property, plant and equipment. Interest on the bond loan for the first half of 2024 of USD 6.3 million (corresponding to NOK 67.2 million) is included in interest and financing fees paid. Please see note 4 for further information related to the bond Escrow account. In the first half of 2024, the Company released USD 60 million (corresponding to NOK 633.8 million) from the bond Escrow account, resulting in net cash flow from financing activities of in total NOK 566.6 million (NOK 937.5 million).

The Company's cash and cash equivalents as of 30 June 2024 were NOK 306.4 million (First quarter 2024: NOK 522.2 million). In addition, the Company had NOK 508.5 million on restricted Escrow account for bond and NOK 12.6 million on restricted account pledged toward Directorate of Mining ("DirMin") for clean-up measures in accordance with the operating license. Please see note 4 for further information.

Engebø Rutile and Garnet's total assets as of 30 June 2024 were NOK 3.3 billion (31 March 2024: NOK 3.4 billion), and total equity was NOK 991.0 million (31 March 2024: NOK 977.5 billion).

For further information relating to the Company's risk assessments, reference is made to the annual report for 2023 which is available on the Company's webpage www.nordicmining.com.

Oslo, 26 August 2024

The Board of Directors of Engebø Rutile and Garnet AS

¹⁾ Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2023.

INCOME STATEMENT

	Note	2024	2023	2024	2023	2023
		01.04-30.06 Unaudited	01.04-30.06 Unaudited	01.01-30.06 Unaudited	01.01-30.06 Unaudited	01.01-31.12 Audited
<i>(Amounts in NOK thousands)</i>						
Payroll and related costs		(0)	(58)	(0)	(112)	(0)
Depreciation and amortization		(273)	(46)	(314)	(92)	(180)
Other operating expenses	6	(8 212)	(5 744)	(3 602)	(12 835)	(27 152)
Operating profit/(loss)		(8 485)	(5 848)	(3 916)	(13 039)	(27 333)
Net exchange rate gain/loss (-)	7, 8	18 882	47	(27 431)	449	25 227
Financial income	8	3 577	3 167	9 252	14 953	22 736
Financial costs	8	(475)	(1 203)	(1 613)	(54 399)	(54 976)
Profit/(loss) before tax		13 498	(3 837)	(23 708)	(52 036)	(34 345)
Income tax		-	-	-	-	-
Profit/(loss) for the period		13 498	(3 837)	(23 708)	(52 036)	(34 345)

STATEMENT OF FINANCIAL POSITION

		30.06.2024	31.12.2023
<i>(Amounts in NOK thousands)</i>	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Mine under construction	2	2 364 760	1 462 466
Property, plant and equipment	3	44 051	912
Total non-current assets		2 408 811	1 463 378
Current assets			
Trade and other receivables		42 217	28 904
Bond Escrow	4	508 470	1 075 042
Restricted cash		12 645	8 430
Cash and cash equivalents		306 440	522 164
Total current assets		869 773	1 634 541
Total assets		3 278 584	3 097 919
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		26 078	26 078
Share premium		988 660	988 660
Retained earnings/(losses)		(23 708)	-
Total equity		991 029	1 014 737
Non-current liabilities			
Bond loan	4	960 734	902 182
Royalty liability	5	594 102	517 574
Liability to parent company		502 507	487 220
Total non-current liabilities		2 057 343	1 906 975
Current liabilities			
Trade payables		69 175	93 552
Other current liabilities	7	161 036	82 655
Total current liabilities		230 211	176 207
Total liabilities		2 287 555	2 083 182
Total shareholders' equity and liabilities		3 278 584	3 097 919

STATEMENT OF CHANGES IN EQUITY

Unaudited

<i>(Amounts in NOK thousands)</i>	Note	Share capital	Share premium	Accumulated losses	Total equity
Equity 1 January 2024		26 078	988 660	-	1 014 737
Profit/(loss) for the period		-	-	(23 708)	(23 708)
Equity 30 June 2024		26 078	988 660	(23 708)	991 029

CONDENSED CASH FLOW STATEMENT

	2024	2023
	01.01-30.06	01.01-30.06
<i>(Amounts in NOK thousands)</i>	Unaudited	Unaudited
Operating activities:		
Net cash from/used (-) in operating activities	(15 326)	(40 581)
Investing activities:		
Investment in mine under construction	(726 405)	(363 056)
Acquisition of property, plant and equipment	(39 212)	-
Net cash used in investing activities	(765 617)	(363 056)
Financing activities:		
Transaction costs, share issue	-	(34 796)
Transfer from Bond Escrow	633 810	-
Interest paid	(67 162)	(22 111)
Other financing fees paid	-	(23 597)
Net proceeds from borrowings from parent company	-	1 018 052
Net cash from financing activities	566 648	937 548
Net change in cash and cash equivalents	(214 294)	533 911
Cash and cash equivalents at beginning of period	522 164	32 377
Effect of exchange rate fluctuation on cash held	(1 430)	87
Cash and cash equivalents at end of period	306 440	566 375
Net change in restricted cash	4 215	4 215
Restricted cash at beginning of period	8 430	4 215
Restricted cash at end of period	12 645	8 430
Restricted and unrestricted cash at end of period	319 085	574 805

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 June 2024

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 financial statements of Engebø Rutile and Garnet AS for the year ended 31 December 2023.

This report was authorized for issue by the Board of Directors on 26 August 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 2023. In 2024 the Company has entered into derivative foreign exchange contracts. See note 6. Under Norwegian GAAP the contracts are considered to be fair value hedging of the bond escrow. The Company reflects the hedging by recording the bond escrow at the exchange rate on the balance sheet date and the derivative instruments at fair value as financial assets or liabilities. Changes in fair value arising on re-measurement of the derivative instruments are recognized in the income statement as incurred.

Note 2 – MINE UNDER CONSTRUCTION

The Engebø Project is under construction, which includes continuation of Detail Engineering of the process plant, procurement and fabrication of critical process equipment, groundwork on the mine access road and ground – and building works in the process plant area, tunnel work and raise drilling of the vertical ore pass. The direct costs related to the work described above have been capitalized on the balance sheet as Mine under construction.

Note 3 – PROPERTY, PLANT AND EQUIPMENT

Additions to Property, plant and equipment in Q2 2024 relate mainly to the activation of the administration building that was completed in Q2 2024. Related costs have been reclassified from Mine under construction to Property, plant and equipment in Q2 2024. The administration building is depreciated on a straight-line basis over an estimated useful life of 39 years.

Note 4 - BOND LOAN AND BOND ESCROW

The Company has a USD 100 million 5-year senior secured bond listed on Nordic ABM with ticker: ERUGA01 PRO. The bond is administered by Nordic Trustee, has fixed coupon of 12.5% per annum, with interest payable quarterly in arrears, and an issue price of 90%.

The net proceeds of the bonds of USD 90 million were 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.

In Q1 2024 the first release of USD 30 million from the bond escrow was completed, and in Q2 2024 the second release of USD 30 million from the bond escrow was completed.

Note 5 – ROYALTY LIABILITY

In November 2023 Engebø Rutile and Garnet AS 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 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 52.4 million in the first half of 2024.

Note 6 - OTHER OPERATING EXPENSE

The Norwegian Supreme Court ruled in March 2024 in favor of Engebø Rutile and Garnet AS on all counts in the case against Arctic Mineral Resources ("AMR"). The court also ruled that AMR shall pay all legal expenses. Total refund of legal expenses amounted to NOK 12.4 million and has been recorded as a reduction of other operating expenses in Q1 2024. The amount was received in April 2024.

Note 7 – FOREIGN EXCHANGE (FX) DERIVATIVE CONTRACTS

The Company entered into foreign exchange (FX) derivative contracts for forward sale of USD and purchase of NOK in Q2 2024 and Q3 2024. The purpose of the trades was to hedge the USD/NOK foreign exchange rate for the release of USD amounts from bond Escrow. The value dates aligned with the expected bond Escrow account release dates for the second and third releases.

Description	Sell currency	Sell amount	Buy currency	Buy amount	Exchange	Value Date
Forward FX contract	USD	25 million	NOK	262.5 million	10.5000	23 May 2024
Forward FX contract	USD	20 million	NOK	211.6 million	10.5818	20 Aug 2024

The fair value of the open derivative contract with value date 20 August 2024 is negative NOK 1.3 million on 30 June 2024 and has been charged to P&L as a foreign exchange loss. The fair value of the derivative contracts is based on quoted market prices on the balance sheet date.

Note 8 - NET EXCHANGE RATE GAIN/LOSS (-), FINANCIAL INCOME AND FINANCIAL COSTS

Exchange rate gains and losses in periods prior to Q3 2023 have been classified under financial income and financial costs. From Q3 2023 onwards, the Company has classified exchange rate gains and losses on a separate line item on the income statement; Net exchange rate gain/loss (-). The income statements from previous periods have been reclassified accordingly.

2024:

Net exchange rate gain/loss (-) in the second quarter and first half 2024 consists mainly of:

- foreign exchange loss of NOK 8.7 million on bond Escrow in USD (H1 2024: gain NOK 44.9 million),
- foreign exchange gain of NOK 15.5 million on the USD bond loan (H1 2024: loss NOK 47.4 million),
- foreign exchange gain of NOK 8.5 million on the USD royalty liability (H1 2024: loss NOK 24.2 million),
- foreign exchange gain of NOK 5.3 million on foreign exchange derivatives (H1 2024: loss NOK 6.2 million), and
- other foreign exchange loss of NOK 1.7 million (H1 2024: gain NOK 5.4 million).

Financial income in the second quarter and the first half of 2024 consists mainly of:

- interest on cash held of NOK 3.6 million (H1 2024: NOK 9.3 million).

Financial costs in the second quarter and the first half of 2024 consist mainly of:

- transaction costs and fees from financing of NOK 0.5 million (H1 2024: NOK 1.6 million).

2023:

Net exchange rate gain/loss (-) in the second quarter and the first half of 2023 consists mainly of:

- foreign exchange gain of NOK 30.0 million on bond Escrow in USD (H1 2023: NOK 93.2 million),
- foreign exchange loss of NOK 29.4 million on the USD bond loan (H1 2023: NOK 91.4 million), and
- other foreign exchange loss of NOK 0.6 million (H1 2023 NOK 1.4 million).

Financial income in the second quarter and the first half of 2023 consists mainly of:

- interest on cash held and bond Escrow of NOK 3.2 million (H1 2023: NOK 15.0 million).

Financial costs in the second quarter and the first half of 2023 consist mainly of:

- interest costs on bond loan of NOK 0.0 million as borrowing costs has been capitalized to Mine under construction (H1 2023: NOK 30.1 million), and
- transaction costs from financing of NOK 1.2 million (H1 2023 NOK 24.3 million).

Note 9 - EVENTS AFTER BALANCE SHEET DATE

- In August the Company completed the third release of USD 48 million from the bond Escrow account that holds the proceeds from the issuance of the USD 100 million senior secured bond. The release was another important milestone for the Engebø Project as the independent engineer appointed on behalf of the bondholders confirmed for the third and final time that a cost-to-complete test had been satisfied. The third-party assessment of the Company's projections asserts that the Engebø Project has sufficient funding and will be completed on time.
- In August the Company settled the last outstanding forward FX contract for sale of USD 20 million at exchange rate USDNOK 10.5818, buying NOK 211.6 million.

Responsibility statement from the Board of Directors

Today, the Board of Directors and Managing Director have resolved the report and the interim condensed financial statements for Engebø Rutile and Garnet AS per 30 June 2024 and for the first half year of 2024, including interim condensed figures for comparison per 30 June 2023 and for the first half year 2023.

The half year report is submitted in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway.

The Board of Directors and Managing Director confirm, to the best of our knowledge, that the interim financial statements for the first half year of 2024 have been prepared in accordance with prevailing accounting standards, and that the information given in the financial statements gives a true and fair view of the Company's assets, liabilities, financial position and results as per 30 June 2024 and 30 June 2023, respectively. To the best of our knowledge, the Board of Directors' report for the first half year of 2024 gives a true and fair overview of the main activities in the period. Further, the most important risks and uncertainties, as well as related parties' significant transactions, are described in a best possible manner.

Oslo, 26 August 2024

The Board of Directors of Engebø Rutile and Garnet AS

Ivar S. Fossum
Chair

Tord Meling
Styremedlem

Kenneth Nakken Angedal
Managing Director