



**NORDIC  
MINING**

# **INTERIM REPORT**

## **Per 30 June 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".*

## **Engerbø Rutile and Garnet interim report for the quarter ended 30 June 2023**

### **Summary of important events in the second quarter of 2023 and year to date:**

#### ***Final investment decision for Engebø Project, following completion of project financing***

In March 2023, Nordic Mining ASA secured the remaining equity component of the total USD 277 million project financing package for the Engebø Project in a private placement of NOK 940 million. The private placement was resolved by the Extraordinary General Meeting and Board of Directors of Nordic Mining ASA on 3 March 2023 and contributed to Engebø Rutile and Garnet on 8 March 2023, satisfying all relevant financing conditions. The gross proceeds from the private placement, together with the equity from the sale of the shares in Keliber corresponding to around NOK 474 million, the USD 100 million in senior secured bond issued by Engebø Rutile and Garnet in November 2022 and USD 50 million non-dilutive royalty financing agreement entered into between Engebø Rutile and Garnet and mining investment firm Orion Resource Partners ("Orion") in February 2023 is expected to fund all costs and expenditures to bring the Engebø Project into commercial production, including a project reserve of USD 30 million. The royalty agreement entails that Orion will pay USD 50 million to Engebø Rutile and Garnet as a fixed, one-time consideration for the right to receive a 11 % royalty of the gross revenue from the sale of products from the Engebø Project for up to 90 years. Engebø Rutile and Garnet has the right to buy back 50% of the royalty against a reduction in the royalty payments to 5.5%. The royalty financing will hold second priority lien on senior security package, subject to the terms of an Intercreditor Agreement. The financing agreements, including the royalty agreement, are subject certain pre-disbursement conditions precedent order for Engebø Rutile and Garnet to draw down any amounts under the financing, including i.e. that all equity contributed to Engebø Rutile and Garnet has been spend towards the development and construction of the Engebø Project. The royalty agreement will not have any accounting effects until drawdown of the one-time consideration of USD 50 million, except transaction costs related to completion of the royalty financing agreement. Please see note 4 for more information on financial costs.

#### ***Nordic Rutile AS changes company name to Engebø Rutile and Garnet AS***

In June 2023, Nordic Rutile AS changed its company name to Engebø Rutile and Garnet AS. The amended Articles of Association, including the change of company name and company address, has been registered in the Norwegian Register of Business Enterprises.

Kenneth Nakken Angedal, who has had the position as Operations Director for Engebø Rutile and Garnet, was at the same appointed Managing Director, and will report to the CEO of Nordic Mining. Angedal will have the overall responsibility of the Engebø Project.

#### ***Engerbø Rutile and Garnet progressing on plan with construction at Engebø***

Following completion of project financing of the Engebø Project in March 2023 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. The local groundworks contractor, Sunnfjord Industripartner AS, has undertaken the groundworks on the process plant area and preparatory works for underground infrastructure at Engebø under the lump-sum EPC contract since April 2022. Local EPC building contractor, Åsen & Øvrelid AS, has reached the milestone of fully enclosed walls and roofs on the administration and workshop buildings. Detail Engineering on the process plant is ongoing by Nordic Bulk AS and Normatic AS. The main parts of the Detail Engineering were completed in Q2 2023, and fabrication of steel and other equipment has started.

In the second quarter of 2023 Engebø Rutile and Garnet completed several milestones, closing out several risks related to HSE, capital expenditure and schedule.

- Completed ore conveyor primary crushing chamber, and new bypass tunnel for improved operational flexibility.
- Completed new 3 km access road to the mining service area.
- Completed raise bore drilling of ore vertical pass with diameter of 4.5 meters and 220 meters length to the top of Engebø with collar positioned at 285 meters above sea level.
- Geotechnical safety measures completed on rockfaces at the process plant area and in primary crushing chamber.
- Completing soil cover at "Stommelshaugane" to reuse fertile soil from the process area.
- Finalized mining service area base plot, ready for construction of mining workshop.
- Erected admin and workshop building with roof and walls fully enclosed.

The civil work for the process plant buildings is well advanced and preparatory work for mechanical and electrical work will start in Q3. Mechanical installations are expected to start for both the underground crushing chamber and process plant in October 2023.

The full financing and final investment decision of the Engebø Project in March 2023 allowed Engebø Rutile and Garnet to move forward with the fabrication of long lead mechanical packages for the process plant. The client provided items ("CPIs") are procured directly by Engebø Rutile and Garnet and are made with leading global suppliers of sustainable solutions for the mineral industry, including agreements with Metso Outotec and Mineral Technology, suppliers of sustainable end-to-end technologies, solutions, and services for the minerals industry globally, for delivery of a comprehensive mining processing technology packages. The current estimates for delivery time and costs for the CPI packages are in line with expectations.

The operational team at Engebø is growing and several new key resources are onboarding in Q3 2023 with preparations being made to open further new positions for hire in the coming quarter.

#### **Engebø Rutile and Garnet USD 100 million senior secured bond listed on Nordic ABM**

In April 2023, Nordic Rutile USD 100 million 5-year senior secured bond with ISIN NO0012734112 was listed on Nordic ABM with listing date 12 April 2023. Following the change of company name to Engebø Rutile and Garnet in June the ticker on Nordic ABM is ERUGA01 PRO.

#### **Binding offtake agreements for full production of minerals for the first 5-years of production**

In 2022, Engebø Rutile and Garnet entered into two rutile offtake agreements, the first with Iwatani Corporation for close to 60% of the planned rutile production for the first 5-year and the second agreement in October 2022 for up to the remaining annual planned rutile production for the first 5-year. The consideration under the rutile offtake agreements will be based on the market price for 95% natural rutile concentrate, adjusted for actual TiO<sub>2</sub> content, as determined from TZMI index or annual price discussions between the parties.

In January 2023, Engebø Rutile and Garnet entered into a global exclusive offtake agreement for the full planned garnet production from Engebø for the first 5 years of production. The offtake agreement is for the supply and delivery of minimum total of 762,500 metric tonnes of garnet concentrate in the 5-year contract period, up to a total of 785,000 metric tonnes, which is the full planned garnet production the first 5-years of production. Further to the initial garnet offtake, the parties shall discuss extension of the cooperation, comprising for example joint marketing, sales, and distribution of garnet from the Engebø Rutile and Garnet Project. The consideration under the garnet offtake agreement will be based on a pre-agreed price schedule.

Engebø Rutile and Garnet has with the rutile and garnet offtake agreements secured committed sales for up to the full production of all minerals from the Engebø Rutile and Garnet Project for the first 5 years of production, all with highly reputable buyers. The offtake agreements are *inter alia* subject to certain conditions precedent.

#### **Memorandum of Understanding for offtake of pyrite**

In February 2023, the Engebø Rutile and Garnet entered into a Memorandum of Understanding ("MoU") for a long-term joint cooperation for the offtake of pyrite from the Engebø Project. Pyrite (Iron sulfate) is a mineral that is present in the Engebø Eclogite-ore and that will be separated in the process of purifying the rutile concentrate. Engebø Rutile and Garnet will in partnership with Green Trail Holding Ltd, a trading company with over 30 years of experience, together pursue market opportunities for pyrite as a new mineral production stream. Pyrite has previously been considered as a residual waste stream from the Engebø Project.

The successful production, marketability and sale of pyrite can potentially create value from residual mineral waste streams and reduce the need to deposit pyrite as part of the tailings. Further, it has the potential for a significant reduction of chemical additives in the tailings. Even though the project is fully permitted and considered environmentally safe by the Norwegian authorities, any reduction in additives in the tailings is regarded positive and further reduces the risk of environmental impacts. The process plant design already allows for finalization of the pyrite as a separate mineral concentrate stream, with minimum additional infrastructure requirements.

#### **Rutile demand supported by welding and Ti-sponge market segments**

Titanium metal demand, being an important driver for rutile, remained robust in the second quarter of 2023 driven by the steady demand for aircraft and general industrial applications, combined with demand for non-Russian products. The outlook remains strong for the rest of 2023.

For titanium feedstock producers the second quarter 2023 showed a mixed picture. Rutile sales volumes were reported to be on par with production levels, with reported average prices showing a minor increase from the

first quarter of this year. The TiO<sub>2</sub> industry showed recovery in Q2-2023 compared to Q1; however, the expected recovery of pigment demand was below expected levels due to softer real estate markets in China, North America and Europe, and higher interest rates in North America and Europe. Reported inventories are still low due to the actions taken in the 9 months.

Reported bulk natural rutile prices in Q2 2023 was around USD 1,480/mt FOB and above, with the main producers expecting pricing to remain in this range going forward.

Industrial garnet demand in North America was variable in the second quarter of 2023. High inventories and concern for the US debt ceiling slowed demand in April and early May. This trend reversed in June, with fairly strong demand. Demand in Europe remained depressed in the second quarter due to softness in larger economies. The economic pressures were directly reflected in demand for waterjet cutting garnet. Demand for blasting garnet remained more stable on basis of ongoing projects and strong demand in the shipbuilding and offshore sectors. The sale of new waterjet machines remained steady in the quarter. This is expected to continue backdrop of slowdown in capital investments for the rest of 2023. Garnet selling prices in the main markets of North America and Europe are coming under pressure as freight rates from Asia have reduced to pre-pandemic levels.

### ***The Norwegian state to support Engebø Rutile and Garnet in Supreme Court***

In April 2023 the Supreme Court's appeals committee informed that the appeal by Artic Mineral Resources ("AMR") on the ruling from Borgarting Court of Appeal will be heard before the Supreme Court. In May 2023 the Attorney General of Norway has confirmed to the Supreme Court that the Norwegian state will support Engebø Rutile and Garnet and participate in the Supreme Court proceedings handling the appeal by AMR. The hearing is tentatively scheduled to take place late October 2023. The Oslo District Court and the Borgarting Court of Appeal both ruled in favor of Engebø Rutile and Garnet and concluded that AMR shall pay Engebø Rutile and Garnet's legal expenses. The court rulings were in line with the operating license granted by the Ministry of Trade, Industry and Fisheries in May 2022.

## **FINANCIAL PERFORMANCE IN Q2**

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

Engebø Rutile and Garnet is under construction of the Engebø Project and has, so far, no sales revenues from operations. Reported operating loss for the second quarter of 2023 was NOK -5.8 million (NOK -7.6 million) and NOK -13.0 million the first half of 2023 (NOK -21.8 million), resulting from non-capitalizable pre-production operating costs related to the development and construction of the Engebø Project.

Net financial items were NOK 2.0 million in the second quarter of 2023 and NOK -39.0 million in the first half of 2023, with the main financial items in the second quarter of 2023 being net gain on foreign exchange related to the bond of NOK 0.6 million, interest income on cash held of NOK 3.2 million, and transaction costs from financing of NOK -1.2 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 32.8 million in the second quarter of 2023 and NOK 50.1 million in the first half year of 2023. The correct capitalized borrowing costs in the first quarter was NOK 17.3 million, not NOK 22.2 million as commented in the first quarter report, which was total accumulated capitalized borrowing costs in Engebø Rutile and Garnet.

Reported net loss in the first quarter was NOK -3.8 million and NOK -52.0 million for the first half of 2023, compared to a net loss of NOK -22.2 million in the first half of 2022.

In the second quarter of 2023 the Engebø Rutile and Garnet has capitalized NOK 375.4 million in the balance sheet under Mine under construction direct costs related to the construction work at Engebø, up from NOK 143.0 million in the first quarter, resulting from increased construction activities after securing full financing and final investment decision in March 2023. Engebø Rutile and Garnet's carrying amount for Mine under construction was NOK 859.7 million as of 30 June 2023 (Q1 2023: NOK 484.3 million).

Net cash outflow from operating activities in the first half year of 2023 was NOK -40.6 million as compared to NOK -22.0 million in the same period in 2022. Net cash flow from investment activities in the first half of 2023 was NOK -363.1 million (NOK 76.4 million) related to investment in Mine under construction. Interest on the bond loan for the second quarterly interest rate period of USD 3.2 million (corresponding to NOK 33.2 million) was partially paid from last month of the pre-funded interest paid into the bond Escrow account, which

accordingly is not included in interest and financing fees paid, with the remaining USD 2.1 million from cash and cash equivalents. 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, resulting in net cash flow from financing activities of NOK 937.5 million after transaction costs of NOK –34.8 million related to the share capital increase, and interest and financing fees of NOK –45.7 million. Please see note 4 and 5 for further information.

Engebø Rutile and Garnet's cash and cash equivalents as of 30 June 2023 was NOK 566.4 million (Q1 2023: NOK 906.6 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 information related to pre-disbursement conditions precedent before the proceeds from the bond Escrow account will be released to the Engebø Project.

Engebø Rutile and Garnet's total assets as of 30 June 2023 was NOK 2.59 billion (31.12.2022: NOK 1.43 billion), and total equity was NOK 997.0 million (31.12.2022: 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).

### **Engebø Rutile and Garnet Project**

#### World-class mineral resource developed according to world-class standards

The Engebø deposit is one of the largest unexploited rutile deposits 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 scale of the mineral resource secures long-term operations.

The project is being developed in accordance with high international standards for environment, health, and safety. Regional hydroelectric power will supply the process plant with renewable energy. The deposit has a favorable location next to a deep-water quay and with efficient shipping/logistics to European and overseas markets. This limits the project's physical footprint and reduces environmental effects. According to independent studies, Engebø will have the lowest climate gas emission among all producers of titanium feedstock globally.

The Engebø deposit is being developed as a dual mineral operation with production and sale of high-quality rutile and garnet. The business concept provides efficient resource utilization, risk reduction, attractive and robust economics, and valuable future expansion opportunities.

#### Updated Definitive Feasibility Study reconfirms Engebø as a world class mineral project

In May 2021 Nordic Mining ASA completed the Updated Definitive Feasibility study ("UDFS") for the Engebø Rutile and Garnet Project. The UDFS is an update of the DFS which was completed in January 2020. The updated study confirmed Engebø as a sustainable and economically robust mineral project with reduced financing risk, improved financial resilience, and attractive financial returns. The complete summary report is available on the company's webpage: [www.nordicmining.com/operations/engebo/](http://www.nordicmining.com/operations/engebo/).

#### Taking action to ensure sustainability at Engebø

Engebø Rutile and Garnet is taking a proactive approach to ensure that the Engebø Project will be developed with high standards for sustainability. Nordic Mining is in the process of adopting the Towards Sustainable Mining ("TSM") initiative for the Engebø Project and will report according to the system when Engebø is in operation with the goal of an A-level. Engebø Rutile and Garnet is implementing a comprehensive Environmental and Social Management System ("ESMS") for the Engebø Project. Through the ESMS we aim to ensure that the Project adheres to permits, regulation and best industry practices<sup>1</sup> from construction, operation, and closure.

The Group has an ambitious goal of biodiversity net gain for life of mine of the Engebø Project. Engebø Rutile and Garnet will work to reduce, restore, and compensate biodiversity loss at the mine site. If not able to restore biodiversity 100 percent, Engebø Rutile and Garnet will compensate by increasing biodiversity in other areas. The Group is developing a Biodiversity Action Plan in collaboration with consultants DNV and Asplan Viak. As part of this work a comprehensive biodiversity mapping has been carried out. Based on a scoring system the biodiversity impact will be tracked on an annual basis and made publicly available.

<sup>1</sup> The ESMS is made in accordance with the IFC Performance Standards.

To ensure that the construction phase of Engebø Project meet the Groups standards on sustainability, Engebø Rutile and Garnet have made a Construction Environmental Management Plan ("CEMP") to adhere to environmental obligations for owners' team, contractors, and suppliers throughout the construction phase. Potential environmental risks are identified, and actions plans are prepared to reduce the risk of environmental incidents, accidents and to enhance performance.

To control how we impact the environment, a comprehensive environmental monitoring program has been developed using state of the art technology. Monitoring is ongoing to supervise potential effects from construction activities related to airborne dust, vibrations and noise, and risk for emissions to fjord surface water and fresh-water bodies.

The Company will ensure that the communities and other stakeholders that are potentially affected by our operations are well informed and are given opportunities to engage with us. We will work proactively to understand people's needs and concerns and seek solutions to mitigate these throughout the construction phase and into operation.

The Environmental Agency approved Engebø Rutile and Garnet's Waste Management Plan and granted a revised discharge permit on 23 June 2023. The plan and permits regulates waste handling and discharge at the mine site. The waste management plan builds on the EU's Best Available Techniques for extractive waste management<sup>2</sup>. The aim is to ensure that proper measures and procedures are in place to reduce effects on the environment, and any resultant risks to human health related to the waste rock and seabed tailings facility at Engebø. The plan also addresses measures to reduce and utilize waste streams.

### Supplying sustainable products

Rutile from Engebø will be a source of environmentally friendly raw material for several end use products that can positively impact human life. In general, natural rutile is an environmentally superior raw material for the titanium industry compared to other sources. Due to its high purity, it is used directly in chlorination plants to make titanium pigment and for titanium metal production which gives reduced waste and a substantially lower carbon footprint. Other sources of raw materials such as ilmenite, must go through carbon intensive leaching or smelting processes. Titanium is contributing to human health by its use as long-lasting implants in the human body. It is also used in creating more healthy living environments, when used in concrete to capture air pollution. The metal is used in constructing light weight airplanes to lower their fuel consumption and carbon emissions. It is also a critical ingredient for equipment to withstand high temperatures and corrosion in geothermal energy plants and this way contributing to green energy production.

The Engebø garnet is an industrial mineral suitable for water jet cutting applications. Water jet cutting is an efficient high precision cutting process used for cutting a wide range of materials including plastics, glass to steel. The cutting technology provides a safe and environmentally friendly alternative as it can be done without any chemicals or heat, and produces no vapor, smoke, or airborne dust. Since Garnet particles are trapped in water in the cutting process, they can be filtered out to be recycled or safely disposed after use. Garnet is a silica free, non-toxic product and can be safely handled by operators.

### Contribution to fight climate change

The Engebø mining operations has a superior Green House Gas ("GHG") emission footprint due to available hydroelectric power and a tight infrastructure with minimal transportation. The annual GHG emissions are calculated to be 3085 tCO<sub>2</sub>eq. per annum and an energy consumption of 0,08 TWh. Engebø Rutile and Garnet has reduced GHG emissions by 85% by replacing gas dryers with electrical dryers. The main source of GHG is diesel consumption from the mining fleet. Options for electrification of the fleet is under investigation and the Company will when feasible transfer to a fully electrified mining operation. A target of net zero GHG emissions has been set for the Engebø Project. To achieve this goal, Engebø Rutile and Garnet has initiated the development of a Climate Strategy Plan together with SRK.

Minviro, UK has carried out an independent Life Cycle Assessment ("LCA") of the rutile product to be produced at Engebø. The LCA is a cradle-to-gate assessment it covers all stages of the production of natural rutile concentrate from Engebø. The study calculates the Global Warming Potential ("GWP") and covers scope 1, 2 and 38 calculations of GHG emissions. The GWP impact of the Engebø Rutile was determined to be 0,17 kg CO<sub>2</sub> eq. The main drivers of the GWP are the consumption of diesel in the mining operation and the explosive

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<sup>2</sup> Best Available Techniques (BAT) Reference Document for the Management of Waste from Extractive Industries in accordance with Directive 2006/21/EC.

consumption related to the ore extraction. Minviro conducted a benchmarking study to compare rutile from Engebø with a wide range of titanium-bearing feedstocks, including other natural rutile products, synthetic rutile, and titanium slag. The analysis showed that the GWP impact of the Engebø Rutile was superior and substantially lower than the alternative sources.

*Engebø operating license completes the main regulatory permits*

In May 2022, the Ministry of Trade, Industry and Fisheries ("MTIF") resolved that Engebø Rutile and Garnet's operating license is maintained as granted with full rights to the Engebø deposit, confirming the resolution from the Directorate of Mining from June 2020 and later confirmed in November 2020. The decision from MTIF is final and cannot be appealed. The operating license is granted for the life of mine of the project which includes an open pit and underground phase, however, with a possibility for revision after 10 years. The license regulates operational scope, methodology and procedures to secure safe and efficient production of the mineral resources and follows the strict regulation practice for Norwegian mining operations which implies high standards for environment, health, and safety. The operating license completes the main regulatory framework required for the project, including extraction permits, approved zoning plan for the mining and processing areas and the environmental permit. The operational license was activated towards the Directorate of Mining in November 2022, following start of construction work of conveyor tunnel, primary crushing chamber, and preparatory work to drill the vertical ore pass. In June 2020, the Company submitted, after extensive test work proving that the consumption of chemicals could be significantly reduced, an application to the Environment Agency for substitution of chemicals from the original environmental permit of 2015. In January 2021, the Agency granted the revised environmental permit, commenting that the significant reduction in chemical consumption will have lower impact on the environment than the previous planned consumption. The decision was confirmed by the Ministry of Climate and Environment in November 2021 concluding that the complaints received in relation to the revised discharge permit do not provide any basis to revoke or change the permit. The decision from the Ministry of Climate and Environment is final and cannot be appealed. In June 2023 the Environmental Agency approved the Waste Management Plan for the Engebø Project and granted a revised discharge permit. Two NGO's have summoned the Norwegian Government claiming that Engebø Rutile and Garnet's disposal permit granted by the Norwegian Government in 2015 is null and void. The hearing in the case between the NGOs and Norwegian Government will take place in Oslo District Court in September 2023. In February 2022, Sunnfjord Municipality approved the building permit for all infrastructure groundworks for the Engebø Project. The permit is in line with the UDFS and the EPC contracts. All building permit complaints were rejected by the Municipality Body of Complaints in April 2022 following an appeals process. The approved building permit for infrastructure groundworks with already approved demolition permit for existing buildings and agreement with county road authority, completes the formal requirements for starting construction work at Engebø. Permits for general and process plant buildings will be applied for in due course according to finalization of detail engineering by the EPC in line with the construction plan.

Oslo, 14 August 2023

The Board of Directors of Engebø Rutile and Garnet AS

## INCOME STATEMENT

|                                     |             | <b>2023</b>        | 2022        | <b>2023</b>        | 2022        |
|-------------------------------------|-------------|--------------------|-------------|--------------------|-------------|
|                                     | <i>Note</i> | <b>01.04-30.06</b> | 01.04-30.06 | <b>01.01-30.06</b> | 01.01-30.06 |
| <i>(Amounts in NOK thousands)</i>   |             | <b>Unaudited</b>   | Unaudited   | <b>Unaudited</b>   | Unaudited   |
| Payroll and related costs           |             | <b>(58)</b>        | (301)       | <b>(112)</b>       | (1 982)     |
| Depreciation and amortization       |             | <b>(46)</b>        | -           | <b>(92)</b>        | -           |
| Other operating expenses            |             | <b>(5 744)</b>     | (7 564)     | <b>(12 835)</b>    | (19 868)    |
| <b>Operating profit/(loss)</b>      |             | <b>(5 848)</b>     | (7 864)     | <b>(13 039)</b>    | (21 849)    |
| Financial income                    | 4           | <b>33 745</b>      | -           | <b>108 917</b>     | -           |
| Financial costs                     | 4           | <b>(31 734)</b>    | 511         | <b>(147 915)</b>   | (397)       |
| <b>Profit/(loss) before tax</b>     |             | <b>(3 837)</b>     | (7 354)     | <b>(52 036)</b>    | (22 247)    |
| Income tax                          |             | -                  | -           | -                  | -           |
| <b>Profit/(loss) for the period</b> |             | <b>(3 837)</b>     | (7 354)     | <b>(52 036)</b>    | (22 247)    |



## STATEMENT OF FINANCIAL POSITION

|   |      | 30.06.2023       | 31.12.2022       |
|---|------|------------------|------------------|
| <i>(Amounts in NOK thousands)</i>                 |      | Unaudited        | Audited          |
|   | Note |                  |                  |
| <b>ASSETS</b>                                     |      |                  |                  |
| <b>Non-current assets</b>                         |      |                  |                  |
| Mine under construction                           | 2    | 859 652          | 341 291          |
| Property, plant and equipment                     |      | 998              | 1 090            |
| <b>Total non-current assets</b>                   |      | <b>860 650</b>   | <b>342 381</b>   |
| <b>Current assets</b>                             |      |                  |                  |
| Trade and other receivables                       |      | 47 038           | 21 584           |
| Bond Escrow                                       | 3    | 1 108 994        | 1 032 597        |
| Restricted cash                                   |      | 8 430            | 4 215            |
| Cash and cash equivalents                         |      | 566 375          | 32 377           |
| <b>Total current assets</b>                       |      | <b>1 730 838</b> | <b>1 090 774</b> |
| <b>Total assets</b>                               |      | <b>2 591 488</b> | <b>1 433 155</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |      |                  |                  |
| <b>Shareholders' equity</b>                       |      |                  |                  |
| Share capital                                     | 5    | 26 078           | 24 705           |
| Share premium                                     |      | 1 105 752        | 164 700          |
| Retained earnings/(losses)                        |      | (134 783)        | (82 747)         |
| <b>Total equity</b>                               |      | <b>997 046</b>   | <b>106 658</b>   |
| <b>Non-current liabilities</b>                    |      |                  |                  |
| Bond loan   | 3    | 951 737          | -                |
| Liability to parent company                       |      | 472 591          | 413 885          |
| <b>Total non-current liabilities</b>              |      | <b>1 424 329</b> | <b>413 885</b>   |
| <b>Current liabilities</b>                        |      |                  |                  |
| Trade payables                                    |      | 90 638           | 37 549           |
| Bond loan   | 3    | -                | 850 825          |
| Other current liabilities                         |      | 79 476           | 24 238           |
| <b>Total current liabilities</b>                  |      | <b>170 114</b>   | <b>912 612</b>   |
| <b>Total liabilities</b>                          |      | <b>1 594 443</b> | <b>1 326 497</b> |
| <b>Total shareholders' equity and liabilities</b> |      | <b>2 591 488</b> | <b>1 433 155</b> |

## STATEMENT OF CHANGES IN EQUITY

### Unaudited

| Attributed to equity holders of the parent |             |                      |                      |                           |                     |
|--|-------------|----------------------|----------------------|---------------------------|---------------------|
| <i>(Amounts in NOK thousands)</i>          | <i>Note</i> | <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               |             | -                    | -                    | (52 036)                  | (52 036)            |
| Share issue conversion of debt             | 5           | 1 373                | 975 848              | -                         | 977 220             |
| Transaction costs                          |             | -                    | (34 796)             | -                         | (34 796)            |
| <b>Equity 30 June 2023</b>                 |             | <b>26 078</b>        | <b>1 105 752</b>     | <b>(134 783)</b>          | <b>997 046</b>      |

## CONDENSED STATEMENT OF CASH FLOW

|  | 2023             | 2022        |
|--|------------------|-------------|
|  | 01.01-30.06      | 01.01-30.06 |
| <i>(Amounts in NOK thousands)</i>                        | Note             | Unaudited   |
|  | Unaudited        | Unaudited   |
| <b>Operating activities:</b>                             |                  |             |
| <b>Net cash used in operating activities</b>             | <b>(40 581)</b>  | (21 960)    |
| <b>Investing activities:</b>                             |                  |             |
| Investment in mine under construction                    | <b>(363 056)</b> | (76 424)    |
| <b>Net cash used in investing activities</b>             | <b>(363 056)</b> | (76 424)    |
| <b>Financing activities:</b>                             |                  |             |
| Transaction costs, share issue                           | <b>(34 796)</b>  | -           |
| Interest and financing fees paid                         | <b>(45 708)</b>  | -           |
| Net proceeds from borrowings from parent company         | <b>1 018 052</b> | 101 222     |
| <b>Net cash from financing activities</b>                | <b>937 548</b>   | 101 222     |
| <b>Net change in cash and cash equivalents</b>           | <b>533 911</b>   | 2 838       |
| <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>87</b>        | -           |
| <b>Cash and cash equivalents at end of period</b>        | <b>566 375</b>   | 5 285       |
| 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>574 805</b>   | 5 285       |

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 14 August 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.

In June 2023, Nordic Rutile AS changed its company name to Engebø Rutile and Garnet AS. The amended Articles of Association, including the change of company name and company address, has been registered in the Norwegian Register of Business Enterprises.

### **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 RESTRICTED CASH**

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**

Financial income 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), and;
- 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 consists mainly of:

- foreign exchange loss of NOK 29.4 million on the USD bond loan (H1 2023: NOK 91.4 million);
- interest and transaction 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 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.

## **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 2023 and for the first half year of 2023, including interim condensed figures for comparison per 30 June 2023 and for the first half year 2022.

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 2023 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 2023 and 30 June 2022, respectively. To the best of our knowledge, the Board of Directors' report for the first half year of 2023 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, 14 August 2023  
The Board of Directors of Engebø Rutile and Garnet AS

Ivar S. Fossum  
Chair

Christian Gjerde

Kenneth Nakken Angedal  
Managing Director