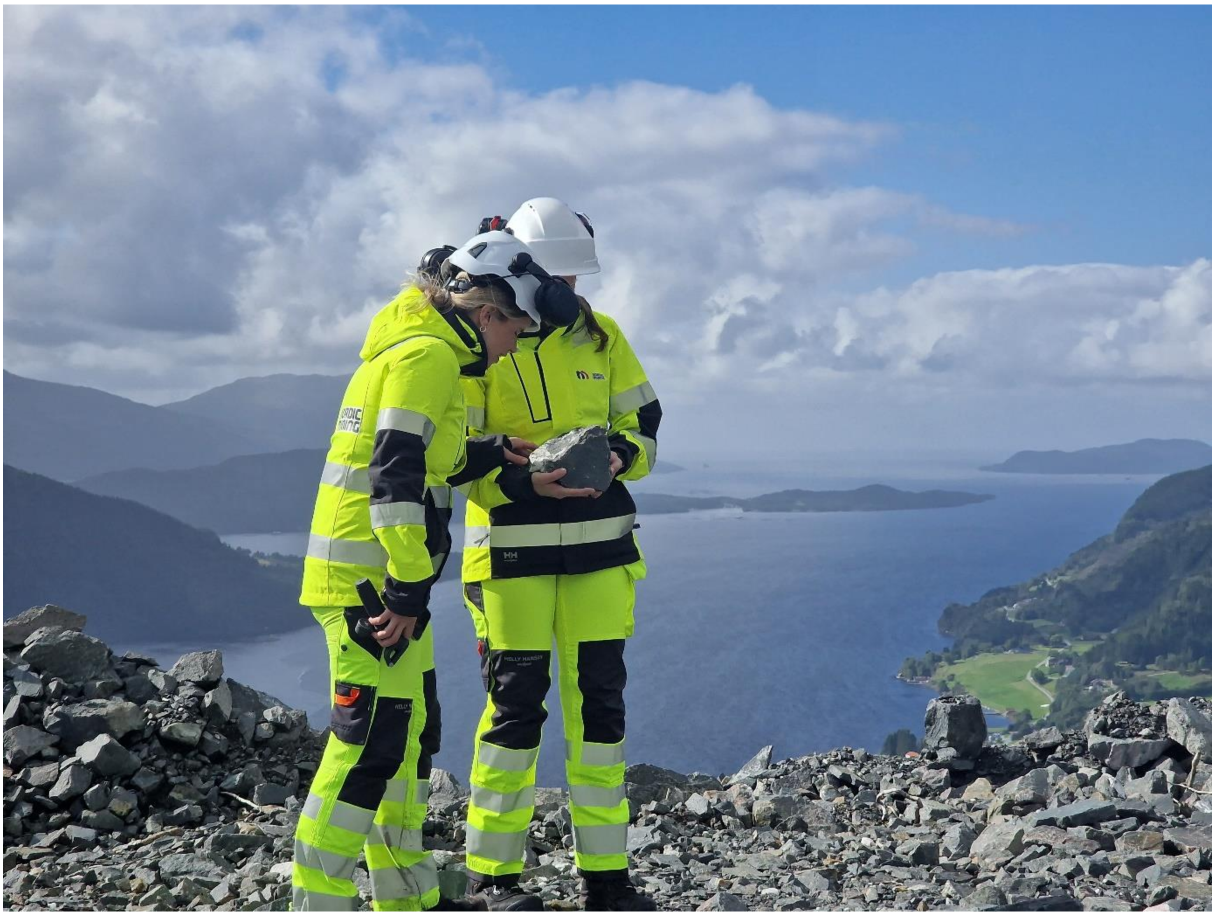
ENGEBØ RUTILE AND GARNET AS



Annual Report 2023

SAFETY | ENVIRONMENT | INNOVATION

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

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".

BOARD OF DIRECTOR’S REPORT 2023

ENGEBØ RUTILE AND GARNET PROJECT

The Engebø deposit has among the highest grades of rutile (TiO_2) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The Engebø expected life of mine is 39 years, consisting 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.

Offtake agreements that are expected to cover substantially all the planned production for the first five years have been secured. In 2022 the Company entered into offtake agreements for rutile, and in January 2023 the Company entered into an exclusive offtake agreement for up to the full planned garnet production from Engebø for 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 Project. The consideration under the garnet offtake agreement will be based on a pre-agreed price schedule.

The Company entered in February 2023 into a USD 55 million investment agreement with the mining investment firm Orion Resource Partners («Orion»). The investment comprised a USD 50 million non-dilutive royalty instrument, which was drawn in November 2023, to Engebø Rutile and Garnet and USD 5 million in equity to Nordic Mining ASA. In March 2023, the remaining equity component of the project financing package for the Engebø Project was successfully secured in a private placement of NOK 940 million in Nordic Mining ASA. 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 AS on 8 March 2023. The private placement was an important milestone as it secured the final part of the project financing package for the Engebø Project, comprising equity, senior secured bond, and non-dilutive royalty financing. The project financing package is expected to fund all costs and expenditures to bring the Engebø Project into commercial production. The proceeds from the senior secured bond are not fully released from the Bond Escrow Account and future releases are subject to certain pre-disbursement conditions precedent before the proceeds can be released to the Project.

During 2023 construction progressed well and the Company capitalized costs of NOK 1.1 billion related to the construction of the Engebø Project. The Engebø Project is on track to start production at the end of 2024.

Construction work progressing; important milestones.
In November 2023, the Company informed the market that the Engebø Project had commenced mechanical installation at several areas of the process plant at Engebø and had already ramped up their site management and onboarded several installation teams.

In September 2023, The Structural, Mechanical, Piping and Platework (SMPP) contractor Nordic Bulk AS had presence at site with prefabricated steel structures starting to arrive at the Project site and Normatic AS started earthing installations along with concrete foundation work for the process plant.

In the months leading up to the summer holiday in July 2023, the Engebø Project 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.
- Erected admin and workshop building with roof and walls fully enclosed.

In June 2023, Sunnfjord Municipality approved the first building application for comminution and wet processing plant. The milestone enabled further construction work at Engebø. The concrete works for the comminution and wet processing started immediately after the application approval.

The four lump-sum EPC contracts with Sunnfjord Industripartner AS, Åsen & Øvrelid AS, Nordic Bulk AS and Normatic AS were fully activated in March 2023.

In February 2023, the Company entered into agreements for long lead mechanical packages for the Engebø Project. Fabrication of the packages started after completion of the project financing for the Engebø Project. The agreements were made with leading global suppliers of sustainable solutions for the mineral industry. The contracts for long lead packages for the process plant ensured access to technical documentation needed for completion of the detailed engineering of the process plant at Engebø.

The building application for the administration building and workshop buildings was submitted, with concrete work for these buildings starting up in late February 2023.

The Company won against Arctic Mineral Resources (”AMR”) on all counts in the Supreme Court

AMR has lost in two court cases vs the Company, claiming that the Company does not have exclusive rights to all minerals in the Engebø deposit. The court ruled that AMR shall pay all legal expenses. The ruling of the appeal court was appealed to the Supreme Court. The Supreme Court’s appeals committee decided in March 2023 that the appeal will be heard before the Supreme Court.

After full oral arguments before the Supreme Court over 5 days in late January 2024, the Norwegian Supreme Court ruled in favour of Nordic Mining on all counts. The court has also ruled that AMR shall pay all legal expenses. With this ruling the litigation from AMR is at an end.

As argued by the Company and the Norwegian Government, the ruling concluded that all minerals in the Engebø deposit ore are owned by the Norwegian state. As a consequence, the Company, through the mining rights granted by the state, has a sole and exclusive right to mine the Engebø deposit, including titanium and garnet. AMR has never had any claim or rights in the deposit.

FINANCIAL PERFORMANCE

For comparison, numbers in brackets relate to the comparable period 2022.

The Engebø Project is under construction and the Company has, so far, no sales revenues from operations. Reported operating loss for 2023 was NOK -27.3 million (NOK –36.4 million), mainly relating to non-capitalizable operating costs related to the development and construction of the Engebø Project.

Net financial items were NOK -7.0 million for 2023 (NOK -35.9 million), with the main financial items being net gain on foreign exchange related to the bond loan, Bond Escrow and royalty liability of NOK 31.0 million, other foreign exchange loss of NOK 5.7 million, interest on Bond Escrow and bank deposits of NOK 22.7 million, and costs from financing of NOK –55.0 million. Please see note 5 for further information. Borrowing costs on bond loan, net of interest on Bond Escrow, following satisfaction of financing conditions in March 2023 and borrowing costs on the royalty liability and the loan from Nordic Mining ASA have been capitalized under Mine under construction, in total NOK 125.1 million for 2023.

Reported net loss was NOK –34.3 million for 2023, compared to a net loss of NOK 72.3 million for 2022.

In 2023, the Company capitalized NOK 1.1 billion on the balance sheet under Mine under construction for direct costs related to the construction work, up from NOK 314.3 million in 2022. The total carrying amount for Mine under construction was NOK 1.5 billion as of 31 December 2023 (31 December 2022: NOK 341.3 million).

Net cash outflow from operating activities for 2023 was NOK –26.2 million as compared to NOK –46.7 million in 2022. Net cash flow from the Company's investment activities related to investment in Mine under construction for 2023 year was NOK –885.2 million (NOK –234.7 million). Note that 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. Please see note 12 for further information related to the Bond Escrow account. In March 2023, Nordic Mining ASA contributed the remaining part of the equity project financing of NOK 977.2 million for the Engebø Project to the Company, and in November 2023 the Company 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 10, 11, and 13 for further information.

The Company's cash and cash equivalents as of 31 December 2023 was NOK 522.2 million (31 December 2022: NOK 32.4 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 8 and 12 for further information.

The Company'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).

Based on current forecasts and plans, the Board considers that the Company's financing and working capital is satisfactory to secure payment of financial obligations for at least 12 months from the time of this report. The Board confirms that the financial statements have been prepared on the basis of a going concern assumption and in accordance with section 3-3a of the Accounting Act.

RISK MANAGEMENT

The Company is exposed to a number of risks that may affect its business, including political and regulatory, market, operational and financial risks. In the opinion of the Board, the Company has implemented management systems that are satisfactory to address risk management and internal controls for the current stage of the Company.

Political and regulatory risk

The Company depends as a resource company in the mining industry on permits and licenses from relevant authorities.

In May 2022, the Ministry of Trade, Industry and Fisheries («MTIF») resolved that the Company's operating license is maintained as granted with full rights to the Engebø deposit, confirming the resolution from the Directorate of Mining. 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. 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. This completed 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 zoning plan for the mining and processing areas, including detailed regulations, and the environmental permit for the project are finally granted with no possibilities for appeal.

Whether and when permits will be granted, and the terms and conditions stipulated related to regulatory matters, are not fully within the Company's control.

Financial risk

Financial risk includes liquidity risk, currency risk and interest rate risk. The Company's liquidity management is coordinated by the Group's Chief Financial Officer with the assistance of Sumit Up AS, which has been engaged to provide accounting services for the Group. The Board of Directors of Nordic Mining ASA has established rules governing the authorizations of the CEO, and the CEO has established rules governing the authorizations of the Group CFO.

The Company's cash balances are deposited in bank accounts in Norwegian Kroner (NOK), United States Dollars (USD), Euro (EUR) and Australian Dollars (AUD). The Company's main foreign currency exposure relates to its bond loan, royalty liability and Bond Escrow, all of which are denominated in USD. The Company's future revenue is expected to a large extent be denominated in USD, with a significant percentage of income taxes, operating expenses, capital expenditures and future dividends in NOK. The Company has therefore a large part of the financial indebtedness in USD, to reduce the overall economic currency risk. Net investment hedge accounting will be considered applied, when possible, to reduce effects of foreign exchange translation in the Company's Profit and Loss. The Company had no outstanding foreign exchange hedges or instruments at year-end 2023.

The Company has significant debt through its USD 100 million bond, its USD 50 million royalty instrument, and its NOK 487.2 million loan from Nordic Mining ASA but none of the debt instruments are impacted by interest rate fluctuations. The bond has a fixed interest rate of 12.5%, the loans from Nordic Mining had an average fixed interest rate of 6.2% and the royalty instrument payments are not tied to interest rates. The Company had no outstanding interest rate hedges at year-end 2023.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay its financial obligations as they fall due. The Company has so far used a mix of equity financing and royalty financing to meet liquidity requirements related to financial obligations, to cover operational losses, and for investments.
The Company had as of 31 December 2023 NOK 902.2 million in interest-bearing debt to a third party, comprising USD 100 million senior secured bond measured at amortized cost using the effective interest method. The Company also had interest-bearing liability of NOK 487.2 to the parent company as of 31 December 2023.

In March 2023, Nordic Mining ASA secured the final part of the project financing package for the Engebø Project comprising equity, senior secured bond, and non-dilutive royalty financing. The project financing package is expected to fund all costs and expenditures to bring the Engebø Project into commercial production.

While the funding is expected to be sufficient, the project is exposed to material cost overruns, delays and/or negative foreign exchange movements that could necessitate additional funding in order to bring the project to completion. The final release of the bond proceeds from the Bond Escrow account is subject to certain pre-disbursement conditions precedent before the proceeds can be released to the Project. Failure to fulfil the conditions precedent for release of funds could jeopardize the Company's' ability to finalize the project as it is dependent on the funding on the Escrow account.

The bond agreement has a financial covenant stipulating that the Company shall at all times maintain cash on its accounts (includes cash on the Bond Escrow account) of no less than USD 15 million. A breach of the covenant could result in a default under the agreement.

Market risk

Mineral prices can be affected by factors such as changes in supply and demand, global economic developments, competition etc. which are beyond the Group's control. Further, there is a risk that not all the Company's products can be sold at favourable terms and conditions. Mitigating these market risks are done by measures which include e.g. business strategies and selling in different geographies and industries, pricing structures and fixed volumes in long-term offtake agreements.

Operational risk

Mineral extraction is a high-risk activity. Generally, few investigated areas develop into producing mining operations. Long-term returns in the Company will depend on the success of the Company's operational activities. The Company is exposed to normal business risk associated with contracts with various suppliers.

Climate-related risks

Sustainability is integrated and embedded into the Company's strategy and decision-making processes. The Group's Sustainability Policy states that the aim is to reach an A-level performance standard for all our operations according to the Towards Sustainable Mining («TSM») Standard. Comprehensive Environmental and Social Management Systems («ESMS») to avoid, mitigate, restore and compensate environmental and climate impacts are implemented for all projects. Overall, the climate-related financial risk for the Company is considered to be low with limited risk for stranded assets basis current legislation.

Climate-related financial risks can be described as physical risks, including extreme weather events and natural disasters, as well as transition risks, including emerging policy and legislation, technological innovation and market and reputation risk. For details on the Group's strategy for Environmental, Social and Governance («ESG») see Environmental and Social Governance on page 16 in Nordic Mining's annual report for 2023 which is available on Nordic Mining ASA's webpage www.nordicmining.com.

GOVERNANCE

In July 2022, the Norwegian Transparency Act entered into force, requiring companies to conduct human rights due-diligence assessments across their operations, supply chains, and business partners. The Group support and respect internationally proclaimed human and labor rights and is committed to implement and enforce systems and practices to minimize any risks of infringement associated with human and labour rights. Nordic Mining's reporting on the Norwegian Transparency Act is available on the Company's website.

For details on the Group's Corporate Governance, see page 21 in Nordic Mining's annual report for 2023.

ORGANIZATION

At the end of 2023 the Company had 21 employees, consisting of nine women and twelve men. The management team consisted of five women and two men.

Nordic Mining ASA has established a liability insurance that covers Directors in the Company.

FINANCIAL STATEMENTS AND CAPITAL SITUATION

The net loss for Engebø Rutile and Garnet AS for 2023 was NOK 34,344,966 (NOK 72,343,751). As per 31 December 2022, the total equity amounted to NOK 1,014,737,167 (NOK 106,657,959).

The Board proposes that the year's loss of NOK 34,344,966 in Engebø Rutile and Garnet AS shall be transferred to retained losses.

Oslo, 23 April 2024
The Board of Directors of Engebø Rutile and Garnet AS

Ivar S. Fossum	Jens Gisle Schnelle	Kenneth Nakken Angedal
Chair of the board	Board member	Managing Director

INCOME STATEMENT

(Amounts in NOK thousands)	Note	**2023**	**2022**
Payroll and related costs	2	(0)	(2 019)
Depreciation and amortization	3	(180)	(31)
Other operating expenses	4	(27 152)	(34 393)
Total operating expenses		**(27 333)**	**(36 442)**
Operating profit/(loss)		**(27 333)**	**(36 442)**
Financial income and financial costs			
Net exchange rate gain/loss (-)	5	25 227	(3 351)
Financial income	5	22 736	5 844
Financial costs	5	(54 976)	(38 394)
Net financial items		**(7 012)**	**(35 901)**
Profit/(loss) before tax		**(34 345)**	**(72 344)**
Income tax	6	-	-
Profit/(loss) for the period		**(34 345)**	**(72 344)**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK thousands)	Note	**31.12.2023**	**31.12.2022**
ASSETS			
Non-current assets			
Tangible assets			
Mine under construction	3	1 462 466	341 291
Machinery and equipment	3	912	1 090
Total tangible assets		**1 463 378**	**342 381**
Total non-current assets		**1 463 378**	**342 381**
Current assets			
Receivables			
Other receivables	7	28 904	21 584
Bond Escrow	12	1 075 042	1 032 597
Total receivables		**1 103 946**	**1 054 182**
Restricted cash	8	8 430	4 215
Cash and cash equivalents	8	522 164	32 377
Total current assets		**1 634 541**	**1 090 774**
TOTAL ASSETS		**3 097 919**	**1 433 155**
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	9,10	26 078	24 705
Share premium	10	988 660	164 700
Other paid-in capital	10	-	-
Total paid-in equity		**1 014 737**	**189 405**
Retained earnings/(losses)	10	-	(82 747)
Total retained earnings/(losses)		**-**	**(82 747)**
Total equity		**1 014 737**	**106 658**
Liabilities			
Non-current liabilities			
Bond loan	12	902 182	-
Royalty liability	13	517 574	-
Liability to parent company	11	487 220	413 885
Total other non-current liabilities		**1 906 975**	**413 885**
Current liabilities			
Trade payables	11	93 552	37 549
Bond loan	12	-	850 825
Public duties payable		1 781	569
Other current liabilities	14	80 874	23 669
Total current liabilities		**176 207**	**912 612**
Total liabilities		**2 083 182**	**1 326 497**
TOTAL EQUITY AND LIABILITIES		**3 097 919**	**1 433 155**

Oslo, 23 April 2024
The Board of Directors of Engebø Rutile and Garnet AS

Ivar S. Fossum	Jens Gisle Schnelle	Kenneth Nakken Angedal
Chair of the board	Board member	Managing Director

CASH FLOW STATEMENT

(Amounts in NOK thousands)	Note	**2023**	**2022**
Cash flow from operating activities			
Profit/(loss) before tax		(34 345)	(72 343)
Depreciation	3	180	31
Gain/loss on sale of fixed assets		117	-
Interest and fees, loans and borrowings	5	94 458	38 393
Interest Bond Escrow	12	(53 517)	(5 795)
Interest income bank deposits	5	(10 972)	(49)
Interest bank deposits received	5	10 972	49
Foreign exchange, net		(24 467)	3 074
Transfer to restricted account	8	(4 215)	(4 215)
Change in working capital		(4 415)	(5 826)
Net cash flow from operating activities		**(26 204)**	**(46 683)**
Cash flow from investing activities			
Investment in mine under construction	6	(885 096)	(233 748)
Acquisition of property, plant and equipment	6	(478)	(921)
Sale of property, plant and equipment		359	-
Net cash flow from investing activities		**(885 215)**	**(234 669)**
Cash flow from financing activities			
Transfer to Bond Escrow	12	-	(178 783)
Interest paid		(88 694)	-
Other financing fees paid		(23 686)	(17 440)
Loan from parent company	11,10	1 018 052	508 751
Transaction costs, share issue		(34 796)	-
Net proceeds from royalty financing		536 820	-
Net cash flow 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	8	**522 165**	**32 377**
Net change in restricted cash	8	4 215	4 215
Restricted cash at beginning of period		4 215	-
Restricted cash at end of period	8	**8 430**	**4 215**

NOTES TO THE FINANCIAL STATEMENTS FOR 2023

Note 1 – Accounting policies

Basic principles
The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Last year the financial statements were prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles for small companies. The change from small companies to other companies has not materially impacted the accounting policies applied and hence no adjustments were made on the opening balances.

The financial statements, which have been prepared by the Company's Board of Directors and management, should be read in conjunction with the Board of Directors' report and the Auditor's report.

The Board of Directors confirms that the financial statements are based on the going concern assumption.

Balance sheet classification
Current assets and current liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as non-current assets / non-current liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognized at nominal value. Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

Property, plant and equipment
Property, plant and equipment is capitalized and depreciated linearly over the estimated useful life.

Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset.

If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

Mine under construction
All expenditure of the construction, installation or completion of infrastructure facilities is capitalized as Mine under construction. After production starts, all costs included in Mine under construction are transferred to 'Producing mine' and other relevant categories. Mine under construction is not depreciated until construction is completed and the assets are available for their intended use.

Mine under construction is stated at historical cost less accumulated depreciation and any impairment.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of the mine are capitalized during the period of time that is required to complete and prepare the mine for its intended use. Interest income from the Bond escrow is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they incur.

Borrowing costs related to the bond loan up to the satisfaction of the condition of the Engebø Project being fully financed are recognized as expense in the income statement. Following the satisfaction of the financing conditions on 8 March 2023, net borrowing costs are capitalized as part of "Mine under construction".

Interest-bearing liabilities
All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction cost) and the redemption value is recognized on the income statement over the period of the interest-bearing liabilities.

Royalty liability
The Company completed in 2023 the drawdown of a USD 50 million non-dilutive royalty instrument, with 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 royalty liability under the royalty agreement is subsequently amortized at the effective interest rate, and the difference between the drawdown received net of transaction costs and the royalty payments is 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 are classified as current liabilities.

Until construction of the Engebø project is completed, amortized cost is recognized as borrowing cost and capitalized under Mine under construction.

Income tax
The income tax expense consists of the tax payable and changes to deferred tax.

Deferred tax/tax assets are calculated on all temporary differences between the book value and tax value of assets and liabilities, and tax losses carried forward. Deferred tax is calculated as 22 percent of temporary differences and the tax effect of tax losses carried forward.

Deferred tax liabilities are generally recognized for all temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Foreign currency translation
Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Related party transactions
All transactions, agreements and business activities with related parties are conducted according to ordinary business terms and conditions. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. The Company provides note disclosure for related party transactions and balances.

Cost of equity transactions
Share issuance cost that is incremental and directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. If deferred tax assets are not recognized, items recorded directly to equity are accounted for gross, without any deduction of deferred taxes.

Cash flow statement
The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Note 2 – Salaries, employees, remuneration

Payroll and related costs *(Amounts in NOK thousands)*	**2023**	**2022**
Wages and salaries	15 810	5 362
Social security costs	2 560	828
Pension costs	802	287
Other personnel costs	924	438
Capitalized payroll costs	(20 095)	(4 896)
Total	**0**	**2 019**
Average number of employees:	14	7

The Company has a defined contribution plan for all its employees. The plan meets the Norwegian statutory requirements for pension plans for employees.

Compensation Managing Director	**2023**
Salary incl. bonus	2 168
Other compensation	16
Pension costs	91
Total	**2 275**

Remuneration to Board of Directors is NOK 0.

Auditor fees (excl. VAT) *(Amounts in NOK thousands)*	**2023**	**2022**
Statutory audit	360	26
Other attestation services	25	23
Total	**386**	**49**

Note 3 – Intangible and tangible assets

(Amounts in NOK thousands)	**Machinery and equipment**	**Mine under construction**
Cost		
01.01.2023	1 577	341 291
Transfer to mine under construction	-	
Additions	478	1 121 175
Disposals	(1 051)	-
31.12.2023	1 004	1 462 466
Accumulated depreciation		
01.01.2023	(487)	-
Depreciation	(180)	-
Disposals	575	-
31.12.2023	(92)	-
Net book value		
01.01.2023	1 090	341 291
31.12.2023	912	1 462 466
Depreciation plan	Linear 5 years	

The Company is in construction of the Engebø Project, 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 on 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 in the balance sheet as Mine under construction.

Mining concessions Engebø
The Company has a conditional liability to the seller of NOK 40 million that will be paid if and when commercial operation commences at Engebø. No liability has been recognized as per 31 December 2023 or 31 December 2022. No liability has been recognized as per 31 December 2023 or 31 december 2022 as the Company's accounting policy is to account for conditional liabilities upon the relevant condition being met, and the condition of commercial operation was not met.

Note 4 – Other operating expenses

(Amounts in NOK thousands)	**2023**	**2022**
Lease expenses	1 869	1 126
Consulting and legal fees	10 781	26 097
Fees for administrative services group	9 130	9 260
Other costs	5 372	1 727
Other operating expenses capitalized	-	(3 818)
Total	**27 152**	**34 393**

Note 5 – Financial items

(Amounts in NOK thousands)	**2023**	**2022**
Foreign exchange gain/loss (-) on bond escrow in USD	30 917	(41 318)
Foreign exchange gain/loss (-) on USD bond loan	(31 510)	39 490
Foreign exchange gain/loss (-) on USD royalty liability	31 551	-
Other net foreign exchange gain/loss (-)	(5 731)	(1 523)
Net exchange rate gain/loss (-)	**25 227**	**(3 351)**
Interest income on bank deposits	10 972	49
Interest income bond escrow	53 517	5 795
Interest income bond escrow, capitalized*	(41 752)	-
Financial income	**22 736**	**5 844**
Interest cost liability to parent company	(32 502)	(7 388)
Interest cost and transaction cost bond loan*	(152 264)	(17 456)
Amortized cost royalty liability	(12 305)	-
Interest cost on loans and amortized cost on royalty liability capitalized*	166 876	4 868
Other transaction costs/fees from financing	(24 780)	(18 418)
Financial costs	**(54 976)**	**(38 394)**

Exchange rate gains and losses were in 2022 classified under financial income and financial costs. In 2023 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 for 2022 is reclassified accordingly.

*Interest and transaction costs on bond loan (net of interest income on bond escrow) have been capitalized from March 2023, following satisfaction of the condition of the Engebø Project being fully financed on 8 March 2023. Interest on liability to parent company have been capitalized since April 2022, and amortized cost on royalty liability has been capitalized since inception in November 2023. The interest and amortized cost have been capitalized to Mine under construction.

Note 6 – Income taxes

(Amounts in NOK thousands)	**2023**	**2022**
Taxes payable	-	-
Changes in deferred tax	-	-
Total income tax expense	-	-

Tax effects of temporary differences and tax loss carryforwards at 31 December:

(Amounts in NOK thousands)	**2023**	**2022**
Mine under construction/PP&E	(31 868)	(4 365)
Bond loan	(9 667)	(16 455)
Royalty liability	113 866	-
Tax loss carry forward	23 979	101 948
Total net deferred tax assets	**96 310**	**81 128**

The deferred tax asset is not recognized in the balance sheet. The Company has incurred substantial tax losses carried forward and the related tax asset is shown in the table above. At year end 2023, the Company cannot substantiate that there will be sufficient future taxable income to be able to realize the Company's unused tax losses, and therefore the Company has not recognized deferred tax assets at 31 December 2023.

The Company recognized NOK 34.8 million in gross transaction cost of the 2023 share issue directly in equity which is included in tax loss carry forwards.

The following table shows the reconciliation of expected tax using the nominal tax rate to the actual tax expense/(income):

(Amounts in NOK thousands)	**2023**	**2022**
Income/loss (-) before tax	(34 345)	(72 344)
Nominal tax rate	22 %	22 %
Expected tax expense/(income)	**(7 556)**	**(15 916)**
Non-deductible costs	29	1
Non-recognized tax assets on current year result	7 527	15 914
Tax expense/(income)	0	(0)

Note 7 – Other receivables

(Amounts in NOK thousands)	**2023**	**2022**
Prepayments	1 095	35
VAT receivable	27 809	21 549
Total other receivables	**28 904**	**21 584**

Note 8 – Cash and cash equivalents and restricted cash

(Amounts in NOK thousands)	**2023**	**2022**
Bank deposits	522 164	32 377
Total cash and cash equivalents	**522 164**	**32 377**
Restricted cash in tax withholding account	965	324

Restricted cash
In addition to the amounts referred to above, the Company has a deposit of NOK 8.4 million on a restricted account at year end. The purpose of the deposit is to cover obligations with the Directorate of Mining.

Note 9 – Share capital

All shares in the Company are owned by Nordic Mining ASA.

			(Amounts in NOK)
Share capital 31.12.2023:	**Number of shares**	**Par value**	**Share capital**
Opening balance 01.01.2023	14 532	1 700	24 705 000
Share issue - conversion of debt	807	1 700	1 372 500
Closing balance 31.12.2023	**15 340**	**1 700**	**26 077 500**

The Company is included in the Group accounts of Nordic Mining ASA. The Group accounts are available at www.nordicmining.com.

Note 10 – Equity

(Amounts in NOK thousands)	**Share capital**	**Share premium**	**Other paid-in capital**	**Retained earnings/(losses)**	**Total**
01.01.2023	24 705	164 700	-	(82 747)	106 658
Share issue conversion of debt	1 373	975 848	-	-	977 220
Transaction costs, share issue		(34 796)			(34 796)
Profit/(loss) for the period				(34 345)	(34 345)
Reduction of share premium to cover losses	-	(117 092)	-	117 092	-
At 31 December 2023	**26 078**	**988 660**	**-**	**-**	**1 014 737**

Note 11 – Intercompany balances

(Amounts in NOK thousands)	**2023**	**2022**
Non-curent liability to parent company *	487 220	413 885
Current liability to parent company included in trade payables	332	1 868
Total intercompany balances	**487 552**	**415 753**

* Non-current liability is to the parent company Nordic Mining ASA. The average interest rate is 6.2% pa.

Note 12 – Bond loan and Bond escrow

(Amounts in NOK thousands)	**2023**	**2022**
Bond loan	1 017 240	985 730
Capitalized transaction costs bond loan	(115 058)	(134 905)
Total bond loan	**902 182**	**850 825**

In November 2022, Engebø Rutile and Garnet AS completed the issue of a USD 100 million 5-year senior secured bond with bullet repayment in November 2027. 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 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 (in total NOK 178.8 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 were reclassified from current liability 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.

The bond loan was initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing (inclusive the 10% discount). After initial recognition, the bond loan is subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction cost including the 10% discount) and the redemption value is recognized on the income statement over the period of the loan.

The bond loan is secured by first priority pledge over the shares of Engebø Rutile and Garnet AS (”ERG”), mortgages over all real properties owned by ERG and property accession rights agree- ments (Nw. utvinningsavtaler), first priority floating charge over all machinery and plant, vehicles, inventory and trade receivables of ERG, first priority pledge over any government granted mining or extraction rights and other security usual and customary for a transaction of this type. The bond loan contains certain financial covenants including minimum liquidity of USD 15 million in ERG and a minimum equity ratio of no less than 25% at Group level. For further details please see ticker ERUGA01 PRO at https://live.euronext.com/nb to read the loan agreement.

Bond Escrow

(Amounts in NOK thousands)	**2023**	**2022**
Bond Escrow	1 075 042	1 032 597
Total Bond Escrow	**1 075 042**	**1 032 597**

Note 13 – Royalty liability

(Amounts in NOK thousands)	**2023**	**2022**
Draw down	540 394	-
Fees paid at inception	-3 574	-
Foreign exchange	-31 551	-
Amortization	12 305	-
Total royalty liability	**517 573**	**-**

In November 2023 the Company 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 expected royalty payments under the Royalty Agreement equal 11% of gross revenue from the Engebø Project. The royalty liability lasts for the entire operational life of the mine, with an upper limit of 90 years. The Group has the option to reduce the royalty rate from 11% to 5.5% on certain conditions in 2028 or 2029. The buyback fee for such a reduction event is based on a calculation securing the royalty holder a certain return on the reduced portion of the royalty instrument for the duration it was held.

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 royalty liability under the Royalty Agreement is subsequently amortized at the effective interest rate, and the difference between the drawdown received net of transaction costs and the royalty payments is 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

Until construction of the Engebø project is completed, amortized cost is recognized as borrowing cost and capitalized under Mine under construction, in total NOK 12.3 million in 2023.

Note 14 – Other current liabilities

(Amounts in NOK thousands)	**2023**	**2022**
Accrued interest bond loan	18 015	17 456
Employee salary and holiday pay accrual	1 643	694
Accrued expenses	61 216	5 520
Total	**80 874**	**23 669**

Note 15 – Events after the balance sheet date

In January 2024 the Oslo District Court has ruled in favor of the Norwegian state in the case where the environmental NGO’s Naturvernforbundet and Natur og Ungdom summoned the state claiming that the disposal permit and the discharge permit for the Engebø rutile and garnet project are null and void. The court confirms that the disposal permit and the discharge permit are valid. In February 2024 the NGO’s appealed part of the claim to the Borgating Court of Appeal.

In March 2024, the first release of USD 30 million from the Bond Escrow was completed.

In March 2024, the Norwegian Supreme Court ruled in favor of the Company in the case brought by Arctic Mineral Resources (””AMR””). The court also ruled that AMR shall pay all legal expenses.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the financial statements for 2023 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Engebø Rutile and Garnet AS for the period.

We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair review of the development, performance, and financial position of Engebø Rutile and Garnet AS, together with a description of the principal risks and uncertainties that they face.

Oslo, 23 April 2024

The Board of Directors of Engebø Rutile and Garnet AS

Ivar S. Fossum
Chair

Jens Gisle Schnelle
Board Member

Kenneth Nakken Angedal
Managing Director

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Engebø Rutile and Garnet AS

Opinion

We have audited the financial statements of Engebø Rutile and Garnet AS (the Company), which comprise the statement of financial position as at 31 December 2023, the income statement, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 23 April 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)