

INTERIM REPORT

Per 31 March 2024



MINERALS FOR A SUSTAINABLE FUTURE

SAFETY | ENVIRONMENT | INNOVATION

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

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

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

Engebø Rutile and Garnet interim report for the quarter ended 31 March 2024

The Engebø deposit has among the highest grades of rutile (TiO₂) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The Engebø life of mine is 39 years, comprising 15 years of open pit mining followed by 24 years of underground mining. Favorable location, topography and local, green hydropower enables efficient and climate friendly production of high-quality natural rutile and garnet. Engebø was fully financed by USD 277 million in March 2023. Following completion of project financing of the Engebø Project the four lump-sum EPC ("Engineering, Procurement and Construction") contracts with Sunnfjord Industripartner AS, Åsen & Øvreid AS, Nordic Bulk AS and Normatic AS were fully activated. Offtake agreements have been secured for up to the full production of rutile and garnet for the first 5 years of production.

Highlights

- The Company reported NOK 550.8 million in capitalized costs related to the construction of the Engebø Project in the first quarter, compared to NOK 329.4 million in the fourth quarter of 2023. The Company's carrying amount for Mine under construction was NOK 2.0 billion as of 31 March 2024.
- In March the Company completed the first release of USD 30 million from the bond Escrow account that holds the proceeds from the issuance of the USD 100 million senior secured bond. The release was an important milestone for the Engebø Project as an independent engineer confirmed that a cost-to-complete test had been satisfied. The third-party assessment of the Company's projections asserts that the Engebø Project has sufficient funding and will be completed on time.

Main events

- The Company continued construction of the Engebø Project in the first quarter with SMPP ("Structural, Mechanical, Piping and Platework") and E&I ("Electrical and Instrumentation") contractors working in all main processing areas. The Project achieved the planned milestones for the quarter including preparations for several heavy lifting operations executed in April.
- No lost time injuries (LTI) have been registered at the Engebø Project site in the 1st quarter 2024, and project to date has zero lost time injuries.
- In March the Company won against Arctic Mineral Resources ("AMR") on all counts in the Supreme Court. The court also ruled that AMR had to pay all legal expenses. The Company received the funds from AMR in early April. With the 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. Consequently, 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.

Engebø project development and economy

- The administration and workshop buildings are completed, and final documentation for completion certification has been submitted to the municipality. The overhead crane and storage facility for general, commissioning and maintenance spares has been installed in the workshop and is ready for use.
- Fabrication of long lead mechanical packages was close to completion at the end of the quarter, with only 3 Client Provided Items (“CPIs”) with completion certification still outstanding at the fabrication facility. The majority of the mechanical packages are in transit or have reached the intermediate warehouse with continuous deliveries to the project site at Engebø as required for installation. The CPIs are procured directly by the Company and released to the SMPP EPC for mechanical installation when arriving at Engebø. The project has seen increased risk too global logistics with some delays of shipments from overseas fabrication locations being realised. The project has to date managed to mitigate the materialized risks without impacting the expected timing for the production ramp-up schedule.
- The Civil and Buildings contractor, Aasen & Øvreid finalized concrete foundations for all main processing areas (primary crushing station, comminution and milling plant, wet plant, dry plant and product storage and loadout) and started installation of the wall panels on all main processing buildings.
- The SMPP EPC contractor, Nordic Bulk, has finalized installation of main equipment for the Comminution and Milling Plant, with sub-assemblies of the rod mill installation scheduled for completion in May. All sumps and pumps are installed on the ground floor of the wet plant with installation of CPI equipment in progress on the floor levels above the sumps and pumps. Mechanical installation of bulk materials handling equipment and process equipment in all main processing areas was started in March.
- The E&I contractor, Normatic has progressed on installation of cable racks in all main processing areas and started cable installation in the Comminution and Milling Plant.
- The Company acted in Q1 2024 to secure the Engebø Project against potential negative USD/NOK exchange rate movements to ensure that a potential strengthening of the NOK would not negatively impact the estimated remaining project reserve. As of quarter end the Company had forward Foreign Exchange (FX) positions for sale of USD 45 million with dates aligning with the expected bond Escrow account release dates for the second and third releases.
- The robustness of the guided project economy improved in the first quarter of 2024 with the first release from the bond Escrow account, the win in the Supreme Court, stronger realized and secured exchange rates and solid progression on the construction of the project during the quarter.

Market development

- The major titanium dioxide pigment producers reported a continued improvement of the market in Q1 2024 from Q4 2023, albeit from a low activity base.
 - An increase in demand as well as replenishment of stocks enabled producers to run at higher utilization rates.
- TiO₂ feedstock producers reported improved market conditions as well and reported sales volumes were mostly above reported production volumes for the quarter.
- Demand from titanium metal segment remains strong, driven by the extensive backlog of orders from the aviation industry and the increase in military spending.
- Demand for garnet abrasives in North America slowed slightly in the first quarter. This was likely driven by sustained higher interest rates and a minor slowing of the industrial economy. While demand remained soft in Europe, supply chain disruption impacted the market in January and continued throughout the quarter.
- The Company has offtake agreements in place for the first five years of production on both rutile and garnet, covering up to the full production.

Financial performance in first quarter 2024¹⁾

The Engebø Project is under construction and the Company has, so far, no sales revenues from operations. Reported operating profit for the first quarter was NOK 4.6 million (NOK -7.2 million). Total refund of legal expenses from the case against Arctic Mineral Resources ("AMR") amounted to NOK 12.4 million and has been recorded as a reduction of other operating expenses in Q1 2024, partially offset by non-capitalizable pre-production operating costs related to the development and construction of the Engebø Project.

Net financial items were NOK -41.8 million in the first quarter (NOK -41.0 million), with the main financial items in the first quarter being net loss on foreign exchange related to the bond loan, bond Escrow and royalty liability of NOK -42.0 million, other foreign exchange gain of NOK 7.1 million, loss on foreign exchange derivatives of NOK -11.4 million, interest on cash held of NOK 5.7 million and transaction costs from financing of NOK -1.1 million. Please see note 6 and 7 for further information. Borrowing costs on loans from parent company, the bond loan and the royalty liability, net of interest on bond Escrow, has been capitalized under Mine under construction, in total NOK -57.8 million in the first quarter.

Reported net loss in the first quarter was NOK -37.2 million (NOK -48.2 million).

In the first quarter, the Company has capitalized NOK 550.8 million on the balance sheet under Mine under construction direct costs related to the construction work at Engebø, up from NOK 329.4 million in the fourth quarter of 2023, resulting from increased activity compared to the previous quarter. The Company's carrying amount for Mine under construction was NOK 2.0 billion as of 31 March 2024 (Fourth quarter 2023: NOK 1.5 billion).

Net cash flow from operating activities for the first quarter was NOK 5.9 million (NOK -3.5 million). Net cash flow from investment activities related to investment in Mine under construction for the first quarter was NOK -365.0 million (NOK -82.1 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. Interest on the bond loan for the first quarterly interest rate period of USD 3.1 million (corresponding to NOK 33.3 million) is included in interest and financing fees paid. Please see note 3 for further information related to the bond Escrow account. In March 2024, the Company released USD 30 million (corresponding to NOK 311.2 million) from the bond Escrow account, resulting in net cash flow from financing activities of in total NOK 277.9 million (NOK 960.3 million).

The Company's cash and cash equivalents as of 31 March 2024 were NOK 443.7 million (Fourth quarter 2023: NOK 522.2 million). In addition, the Company had NOK 831.2 million on restricted Escrow account for bond and NOK 12.6 million on restricted account pledged toward Directorate of Mining ("DirMin") for clean-up measures in accordance with the operating license.

Engebø Rutile and Garnet's total assets as of 31 March 2024 were NOK 3.4 billion (31 December 2023: NOK 3.1 billion), and total equity was NOK 978.0 million (31 December 2023: NOK 1.0 billion).

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

Oslo, 6 May 2024

The Board of Directors of Engebø Rutile and Garnet AS

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

INCOME STATEMENT

<i>(Amounts in NOK thousands)</i>	Note	2024	2023	2023
		01.01-31.03 Unaudited	01.01-31.03 Unaudited	01.01-31.12 Audited
Payroll and related costs		-	(54)	(0)
Depreciation and amortization		(40)	(46)	(180)
Other operating expenses	5	4 610	(7 090)	(27 152)
Operating profit/(loss)		4 570	(7 190)	(27 333)
Net exchange rate gain/loss (-)	6, 7	(46 312)	401	25 227
Financial income	7	5 675	11 786	22 736
Financial costs	7	(1 138)	(53 196)	(54 976)
Profit/(loss) before tax		(37 206)	(48 199)	(34 345)
Income tax		-	-	-
Profit/(loss) for the period		(37 206)	(48 199)	(34 345)

STATEMENT OF FINANCIAL POSITION

		31.03.2024	31.12.2023
<i>(Amounts in NOK thousands)</i>	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Mine under construction	2	2 013 253	1 462 466
Property, plant and equipment		872	912
Total non-current assets		2 014 124	1 463 378
Current assets			
Trade and other receivables		54 915	28 904
Bond Escrow	3	831 237	1 075 042
Restricted cash		12 645	8 430
Cash and cash equivalents		443 667	522 164
Total current assets		1 342 465	1 634 541
Total assets		3 356 589	3 097 919
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		26 078	26 078
Share premium		988 660	988 660
Retained earnings/(losses)		(37 206)	-
Total equity		977 531	1 014 737
Non-current liabilities			
Bond loan	3	970 535	902 182
Royalty liability	4	575 545	517 574
Liability to parent company		494 821	487 220
Total non-current liabilities		2 040 901	1 906 975
Current liabilities			
Trade payables		194 066	93 552
Other current liabilities		144 090	82 655
Total current liabilities		338 156	176 207
Total liabilities		2 379 057	2 083 182
Total shareholders' equity and liabilities		3 356 589	3 097 919

STATEMENT OF CHANGES IN EQUITY

Unaudited

<i>(Amounts in NOK thousands)</i>	Note	Share capital	Share premium	Accumulated losses	Total equity
Equity 1 January 2024		26 078	988 660	-	1 014 737
Profit/(loss) for the period		-	-	(37 206)	(37 206)
Equity 31 March 2024		26 078	988 660	(37 206)	977 531

CONDENSED CASH FLOW STATEMENT

	2024	2023
<i>(Amounts in NOK thousands)</i>	01.01-31.03	01.01-31.03
	Unaudited	Unaudited
Operating activities:		
Net cash from/used (-) in operating activities	5 855	(3 536)
Investing activities:		
Investment in mine under construction	(365 007)	(82 123)
Net cash used in investing activities	(365 007)	(82 123)
Financing activities:		
Transaction costs, share issue	-	(34 796)
Transfer from Bond Escrow	311 183	-
Interest paid	(33 330)	-
Other financing fees paid	-	(22 970)
Net proceeds from borrowings from parent company	-	1 018 052
Net cash from financing activities	277 853	960 286
Net change in cash and cash equivalents	(81 299)	874 627
Cash and cash equivalents at beginning of period	522 164	32 377
Effect of exchange rate fluctuation on cash held	2 802	(420)
Cash and cash equivalents at end of period	443 668	906 585
Net change in restricted cash	4 215	4 215
Restricted cash at beginning of period	8 430	4 215
Effect of exchange rate fluctuation on restricted cash held	-	-
Restricted cash at end of period	12 645	8 430
Restricted and unrestricted cash at end of period	456 313	915 015

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 March 2024

Note 1 – ACCOUNTING PRINCIPLES

These interim financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. They do not include all the information required for full annual financial reporting and should be read in conjunction with the annual financial statements of Engebø Rutile and Garnet AS for the year ended 31 December 2023.

This report was authorized for issue by the Board of Directors on 6 May 2024.

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2023. In 2024 the Company has entered into derivative foreign exchange contracts. See note 6. Under Norwegian GAAP the contracts are considered to be fair value hedging of the bond escrow. The Company reflects the hedging by recording the bond escrow at the exchange rate at the balance sheet date and the derivative instruments at fair value as financial assets or liabilities. Changes in fair value arising on re-measurement of the derivative instruments are recognized in the income statement as incurred.

Note 2 – MINE UNDER CONSTRUCTION

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

Note 3 - BOND LOAN AND BOND ESCROW

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

The net proceeds of the bonds of USD 90 million 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.

In Q1 2024 the first release of USD 30 million from the bond escrow was completed.

Note 4 – ROYALTY LIABILITY

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

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

Amortized cost is recognized as borrowing cost and capitalized under Mine under construction until construction is completed.

Note 5 - OTHER OPERATING EXPENSE

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

Note 6 – FOREIGN EXCHANGE (FX) DERIVATIVE CONTRACTS

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

Description	Sell currency	Sell amount	Buy currency	Buy amount	Exchange	Value Date
Forward FX	USD	25 million	NOK	262.5 million	10.5000	23 May 2024
Forward FX	USD	20 million	NOK	211.9 million	10.5930	13 Aug 2024

The fair value of the derivative contracts is negative NOK 11.4 million at 31 March 2024 and has been charged to P&L as a foreign exchange loss. The fair value of the derivative contracts is based on quoted market prices at the balance sheet date.

Note 7 - NET EXCHANGE RATE GAIN/LOSS (-), FINANCIAL INCOME AND FINANCIAL COSTS

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

The Company has entered into foreign exchange derivative contracts for forward sale of USD and purchase of NOK in Q2 2024 and Q3 2024. The purpose of the trades is to hedge the NOK/USD foreign exchange rate for the release of USD amounts from bond escrow. The fair value of the derivative contracts is negative NOK 11.4 million at 31 March 2024. Under Norwegian GAAP, the contracts are considered to be hedging, and accordingly no unrealized gain or loss has been posted to P&L in Engebø Rutile and Garnet AS in the first quarter. Instead, the realized gain or loss on the derivative contracts will be included in foreign exchange gain or loss in the P&L when the contracts are realized.

2024:

Net exchange rate gain/loss (-) in Q1 2024 consists mainly of:

- foreign exchange gain of NOK 53.6 million on bond Escrow in USD;
- foreign exchange loss of NOK 62.9 million on the USD bond loan, and;
- foreign exchange loss of NOK 32.7 million on the USD royalty liability, and;
- foreign exchange loss of NOK 11.4 million on foreign exchange derivatives;
- other foreign exchange gain of NOK 7.1 million.

Financial income in Q1 2024 consists mainly of:

- interest on cash held of NOK 5.7 million.

Financial costs in Q1 2024 consists mainly of:

- transaction costs and fees from financing of NOK 1.1 million.

2023:

Net exchange rate gain/loss (-) in Q1 2023 consists mainly of:

- foreign exchange gain of NOK 63.1 million on bond Escrow in USD, and;
- foreign exchange loss of NOK -62.0 million on the USD bond loan.
- other foreign exchange loss of NOK -0.7 million.

Financial income in Q1 2023 consists mainly of:

- interest on cash held and bond Escrow of NOK 11.8 million.

Financial costs in Q1 2023 consists mainly of:

- interest costs on bond loan of NOK 25.5 million, and;
- transaction costs from financing of NOK 27.7 million.