NORDIC RUTILE AS

Annual Report 2022

SAFETY | ENVIRONMENT | INNOVATION

Nordic Mining ASA ("Nordic Mining") is a resource company with focus on high-end industrial minerals and metals. The Company's project portfolio is of high international standard and holds significant economic potential. The Company's assets are in the Nordic region.

Nordic Mining is undertaking a large-scale project development at Engebø on the west coast of Norway where the Company has rights and permits to a substantial eclogite deposit with rutile and garnet. In addition, Nordic Mining holds interests in other initiatives at various stages of development. This includes patented rights for a new technology for production of alumina and exploration of seabed minerals.

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

BOARD OF DIRECTORS' REPORT 2022

ENGEBØ RUTILE AND GARNET PROJECT

The Engebø deposit is one of the largest unexploited rutile deposits in the world and has among the highest grade of rutile (TiO2) compared to existing producers and projects under development. The deposit further contains significant quantities of high-quality garnet.

Nordic Rutile commenced early construction works at Engebø in April 2022, which includes preparing the properties for construction, continuation of detailed project planning and process for procurement of critical process equipment, and commencement of groundworks on process plant area and preparatory works for underground infrastructure. The main construction works has been undertaken by local contractor Sunnfjord Industripartner AS, under the lump sum EPC ("Engineering, Procurement and Construction") contract, with focus on preparation of the process plant area, groundwork of the mine access road, and tunnel work. The mine access road is functional all the way up to the open pit tunnel portal and is around 70% complete. The conveyor tunnel finalized, with the contractors now working on the crushing and preparing for the raise drilling of the vertical ore pass. The building application for the administration building and workshop buildings has been submitted, with concrete work started in late February 2023. In addition, Detail Engineering on the process plant is ongoing by the remaining EPCs, Åsen & Øvrelid AS, Nordic Bulk AS and Normatic AS. The EPCs expect to complete the main parts of this Detail Engineering in H1 2023. This will allow start of mechanical and electronic installation work. The procurement of the time-critical long lead mechanical packages ("CPIs") is close to complete. The agreements are made with leading global suppliers of sustainable solutions for the mineral industry, including agreement with Metso Outotec, a supplier of sustainable end-to-end technologies, solutions, and services for the minerals industry globally, for delivery of a comprehensive comminution technology package. Fabrication of the mechanical packages was commenced after completion of the project financing for the Engebø Project in March 2023. The contracts for long lead packages for the process plant that has been completed ensures access to technical documentation needed for completion of the Detailed Engineering of the process plant. The current estimates for delivery time and costs for the packages are in line with expectations. The start-up of mechanical installation is expected during Q3 2023. The four lump-sum EPC contracts with Sunnfjord Industripartner AS, Åsen & Øvrelid AS, Nordic Bulk AS and Normatic, which cover around 60% of the remaining plant and mine capital expenditure of around USD 177 million were fully activated in March 2023.

In May 2022, the Ministry of Trade, Industry and Fisheries ("MTIF") resolved that Nordic Mining'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. 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.

In June 2022 Nordic Rutile entered into offtake agreement for close to 60% of the planned rutile production for the first 5-year with Iwatani Corporation and in in October 2022 a second rutile offtake agreement for up to the remaining annual planned production. The rutile offtake agreements together secure committed sales for up to the full annual production of rutile from Engebø for the first 5 years of production. The consideration under the rutile offtake agreements will be based on the market price for 95% natural rutile concentrate, adjusted for actual TiO_2 content, as determined from TZMI index or annual price discussions between the parties. In January 2023, Nordic Rutile 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.

Nordic Mining is taking a proactive approach to ensure that the Engebø Rutile and Project will be developed based on the high standards for sustainability. Nordic Mining is in the process of adopting the Towards Sustainable Mining ("TSM") initiative for the Engebø Rutile and Garnet Project. Nordic Mining aims to reach an A-level for the Project and Nordic Rutile will report according to the system when the Engebø Project is in operation. Nordic Mining is implementing a comprehensive Environmental and Social Management System ("ESMS") for the Project. Through the ESMS Nordic Mining aim to ensure that the Project adheres to permits and regulation and best international practices6 from construction, operation, and closure.

Nordic Mining has an ambitus goal of biodiversity net gain for life of mine of the Engebø Project. Nordic Rutile will work to reduce, restore, and compensate biodiversity loss at the mine site. If not able to restore 100 percent, Nordic Rutile will compensate by increasing biodiversity in the region. Nordic Rutile is collaborating with DNV and Asplan Viak to develop a Biodiversity Action Plan. In order to assure that the construction phase meet our standards on sustainability, we have made a Construction Environmental Management Plan

The Engebø mining operations has a limited GHG footprint due to available hydroelectric power in the area and a tight infrastructure with minimal transportation. The annual GHG emissions are calculated to be 3085 tCO2eq. per annum and an energy consumption of 0,08 TWh. The main source of GHG for the Engebø Project is diesel consumption from the mining fleet. Nordic Rutile has investigated options for electrification of the fleet and will when feasible transfer to a fully electrified mining operation. The Engebø Project has a target of net zero Green House Gas (GHG) emissions. To achieve this goal, Nordic Rutile has initiated the development of a Climate Strategy Plan together with SRK.

In June 2022, Minviro, UK concluded an independent Life Cycle Assessment ("LCA") of the rutile product to be produced at Engebø. The LCA is a cradle-to-gate assessment of the production of rutile concentrate from Engebø and covers all production stages from the mine to the final product with estimations of scope 1, 2 and 3 Green House Gas ("GHG") emissions[1] The study shows that the Engebø rutile is top rated in terms of Global Warming Potential ("GWP") compared to other titanium feedstocks globally, including natural and synthetic rutile, and titanium slag. Earlier in 2022, SRK Consulting (UK) Ltd, conducted an analysis to compare the GHG emissions associated with the Engebø Rutile and Garnet Project, with existing operators in the global titanium value-chain. The comparative study shows that the Engebø Project has the lowest carbon footprint compared to five major operators. The study was based on available information published by the respective companies, predominantly in annual reports[2]. The comparative study was based on reported Scope 1 and Scope 2 emissions.

The Borgarting Court of Appeal ruled on 24 October 2022 in favor of Nordic Rutile in Artic Mineral Resources ("AMR") appeal of the ruling from Oslo District Court. The appeal case took place 19–28 September 2022. The Court of Appeal ruling confirmed the ruling from the Oslo District Court that Nordic Rutile has exclusive right to all minerals in the Engebø deposit within the limits of the Norwegian Mining Act, in line with the operating license granted by the Ministry of Trade, Industry and Fisheries in May 2022. The court ruled that AMR shall pay all legal expenses, which Nordic Rutile will now focus on securing. The ruling of the appeal court was appealed to the Supreme Court. The Supreme Court's appeals committee informed in March 2023 that the appeal will be heard before the Supreme Court. The hearing is tentatively scheduled to take place before the summer 2023. Nordic Rutile maintain that AMR's claims have no merit and will continue to defend the case rigorously and is confident that the ruling from the Supreme Court will be in Nordic Rutile's favour, i.e. in line with the previous rulings. Furthermore, two NGO's have stated in the press that they will summon the Norwegian Government claiming that Nordic Rutile's disposal permit granted by the Norwegian Government in 2015 is null and void.

In November 2022, Nordic issued USD 100 million in a new 5-year senior secured bond. The bond has fixed coupon of 12.5% per annum and an issue price of 90%. The issue was well subscribed by domestic and international quality investors such as pension funds, long-only credit funds, hedge funds and family offices. The bonds were listed on Oslo ABM on 12 April 2023. In February 2023, Nordic Rutile entered into a USD 50 million Royalty Agreement with leading mining investment firm Orion Resource Partners ("Orion"). This, together with committed equity from Nordic Mining ASAs sale of shares in Keliber Oy and private placement of NOK 940 million in March 2023, which has been contributed to Nordic Rutile, secured the final part of the project financing package for the Engebø Rutile and Garnet Project of USD 277 million. The project financing package is expected to fund all costs and expenditures to bring the Engebø Project into commercial production, including a contingency of USD 25 million and project reserve of USD 30 million.

In February 2023, the project economics for the Engebø Rutile and Garnet Project was revised based on the latest available data and assumptions in relation the NOK 940 million private placement in Nordic Mining ASA. The analysis confirmed further improvements in the key financials as the project progress towards production.

High-margin cash flow and short pay-back support bankability (unlevered)[3]:

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[1] Scope 1 refers to direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the reporting company. Scope 3 covers indirect emissions related to the value chain such as the extraction and production of purchased materials

[2] GHG is reported in tons of CO2 equivalent (tCO2e), meaning emission of non- CO2 GHGs have been "normalized" to CO2 using their 100-year global warming potentials.

[3] Please see page 16 for description of Alternative Performance Measures ("APM") used for Engebø Rutile and Garnet.

- NPV@8% of USD 491 million
- Post-tax IRR of 25.9%
- Remaining initial capital investment of around USD 187 million
- Life of Mine EBITDA of USD 3.2 billion, corresponding to an EBITDA-margin of 76%
- Life of Mine Operating Cash Flow of USD 2.55 billion
- Free Cash Flow the first 10 years of full operations of over USD 60 million per annum
- Pay-back period of less than 4 years from start of production

FINANCIAL PERFORMANCE

Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2021.

Nordic Rutile is under construction of the Engebø Project and has, so far, no sales revenues from operations. Reported operating loss for 2022 was NOK –36.4 million (NOK –51.7 million), which reflect the pre-construction activities undertaken in preparation for construction of Engebø undertaken in the first half of 2022.

Net financial items was NOK –35.9 million in 2022 (NOK –4.1 million), with main financial items being net loss on foreign exchange of NOK -3.4 million, net interest cost of NOK –14.1 million, of which NOK –2.5 million in interest on liability to parent company, and transaction costs from financing of NOK –18.4 million. Borrowing costs of NOK –4.9 million costs under loans from parent company has been reclassified to capitalized borrowing costs under Mine under construction from the interim financial statements as of 31 December 2022 been. Please see note 1 (Borrowing costs) and note 4 for further information.

Reported net loss for in 2022 was NOK –72.3 million (NOK –55.8 million).

In April 2022, the Nordic Rutile started early construction works at Engebø, which includes preparing the properties for construction, continuation of detailed project planning and process for procurement of critical process equipment, and commencement of groundworks on process plant area and tunnelling work. In 2022 the Nordic Rutile has capitalized in the balance sheet under Mine under construction direct costs related to the construction work of NOK –259.6 million and NOK –4.9 million in borrowing costs under loans from parent company, in addition to NOK–0.9 million in property, plant and equipment related to the Engebø Project. In addition, Evaluation and exploration assets related to Engebø of NOK 76.8 million was in 2022 reclassified in the statement of financial position to Mine under construction. Please see note 6 for further information. Nordic Rutile's carrying amount for Mine under construction was NOK 341.3 million as of 31 December 2022.

Net cash outflow from Nordic Rutile's operating activities in 2022 was NOK –46.7 million (NOK –52.7 million). Net cash flow from investment activities was NOK 234.7 million (NOK –0.5 million), relating to investment in Mine under construction and other machinery and equipment related to the Engebø Project. Net cash flow from financing activities was NOK 312.5 million in 2022 (NOK 54.5 million), resulting from NOK 508.8 million in loans from parent company (NOK 54.5 million) less transfer to bond Escrow account of NOK –178.8 million for issue discount of USD –10 million, four months bond interest of USD 4.2 million, transaction costs of USD 3.3 million, as well as financing fees of NOK 17.4 million. Please see note 12 for information on senior secured bond.

Nordic Rutile's cash and cash equivalents as of 31 December 2022 was NOK 32.4 million (NOK 2.4 million). In addition, Nordic Rutile had NOK 1.03 billion on restricted Escrow account for bond and NOK 4.2 million on restricted account pledged toward Directorate of Mining for clean-up measures in accordance with the operating license. Nordic Rutile's total assets as of 31 December 2022 was NOK 1.43 billion (31.12.2021: NOK 81.3 million) and total equity was NOK 106.7 million (31.12.2021: NOK 12.9 million).

Nordic Mining ASA in March 2023 increased the share capital in Nordic Rutile AS through conversion of NOK 977,220,000 in intercompany loans provided to Nordic Rutile following the completion of the NOK 940 million private placement in Nordic Mining ASA to fully finance the Engebø Project and satisfy the financing conditions related to Nordic Rutile ASs project financing package for the Engebø Project.

Based on current forecasts and plans, the Board considers that Nordic Rutile'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

Nordic Rutile 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 Nordic Rutile 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

Nordic Rutile depends as resource company in the mining industry on permits and licenses from relevant authorities. In May 2022, MTIF resolved that Nordic Rutile'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 Nordic Rutile's control.

Financial risk

Financial risk includes liquidity risk, currency risk and interest rate risk. Nordic Rutile's liquidity management is coordinated by the Group's Chief Financial Officer ("CFO") with the assistance of SumitUp AS, which has been engaged to provide accounting services for the Group. The Board of Director 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.

Nordic Rutile's cash balances are deposited in bank accounts in Norwegian Kroner (NOK), United States Dollars (USD) and Euro (EUR)Norwegian Kroner (NOK), United States Dollars (USD) and Euro (EUR). The main foreign currency exposure at current relates is related to its bond loan and bond escrow, which are denominated in USD. Nordic Rutile's cash receipts from the Engebø Project are expected to a large extent be denominated in USD, with a large percentage of income taxes, operating expenses, capital expenditures and future distributions in NOK. To reduce the overall economic currency risk related to the Engebø Project, Nordic Rutile's financial indebtedness is at present in USD. Net investment hedge accounting will be considered applied, when possible, to reduce effects of foreign exchange translation in the Profit and Loss.

Liquidity risk

Liquidity risk is the risk that Nordic Rutile will not be able to pay its financial obligations as they fall due. The Group has so far mainly used equity financing to meet liquidity requirements related to financial obligations, to cover operational losses, and for investments. Nordic Rutile AS has as of 31 December 2022 around NOK 1.3 billion in interest-bearing debt, comprising USD 100 million senior (corresponding to NOK 985.7 million) secured bond measured at amortized cost using the effective interest method and NOK 413.9 million in liability to parent. In March 2023, Nordic Mining secured the final part of the project financing package for Nordic Rutile's Engebø Project, USD 277 million, comprising equity, and senior secured bond and non-dilutive royalty secured by Nordic Rutile AS. The project financing package is expected to fund all costs and expenditures to bring the Engebø Project into commercial production, including a contingency of USD 25 million and project reserve of USD 30 million. The bond and royalty financing and is subject to certain pre-disbursement conditions precedent before the proceeds can be released to the Project, including standard conditions and utilization in full of the equity and royalty funds, respectively.

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 Nordic Rutile's control. Further, there is a risk that not all the products from Engebø can be sold at favorable 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 offtake agreements and long contract term lengths

Operational risk
Mineral extraction is a high-risk activity. Generally, few investigated areas develop into producing mining operations. Long-term returns in Nordic Rutile's will depend on the success of the development and operation of the Engebø Rutile and Garnet Project. Nordic Rutile is exposed to normal business risk associated with contracts with various suppliers.

Climate-related risks
Sustainability is integrated and embedded into Nordic Mining'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, including Nordic Rutile's Engebø Project. Comprehensive Environmental and Social Management Systems ("ESMS") to avoid, mitigate, restore and compensate environmental and climate impacts are implemented for the Engebø Project. Overall, the climate-related financial risk the Engebø Project is considered to be low and there is minimal risk for stranded assets. 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. Nordic Mining will implement the Task Force on Climate-related Financial Disclosures ("TCFD") framework to ensure a transparent and effectively disclose climate-related financial risks and opportunities. For details on the Group's strategy for Environmental, Social and Governance ("ESG") see Environmental and Social Governance on page 19 in Nordic Mining's annual report for 2022 which is available on Nordic Mining ASA's webpage www.nordicmining.com.

For detail on the Group's Corporate Governance, see page 23 Nordic Mining's annual report for 2022.

FINANCIAL STATEMENTS AND CAPITAL SITUATION

The net loss for Nordic Rutile for 2022 was NOK 72,343,323 (NOK 55,813,394). As per 31 December 2022, the total equity amounted to NOK 106,657,959 (NOK 12,928,782).

The Board proposes that the year's loss of NOK 72,343,323 in Nordic Rutile AS shall be transferred to retained losses.

Oslo, 25 April 2023
The Board of Directors of Nordic Rutile AS

Ivar S. Fossum
General Manager and Chair of the Board

Christian Gjerde
Board member

INCOME STATEMENT

(Amounts in NOK)	Note	**2022**	**2021**
Payroll and related costs	2	(2 018 631)	(4 974 818)
Depreciation and amortization	6	(30 700)	-
Other operating expenses	3	(34 392 931)	(46 714 339)
Total operating expenses		**(36 442 262)**	**(51 689 157)**
Operating profit/(loss)		**(36 442 262)**	**(51 689 157)**
Financial income and financial costs			
Financial income	4	45 354 528	87 313
Financial costs	4	(81 255 589)	(4 211 550)
Net financial items		**(35 901 060)**	**(4 124 237)**
Profit/(loss) before tax		**(72 343 323)**	**(55 813 394)**
Income tax	5	-	-
Profit/(loss) for the period		**(72 343 323)**	**(55 813 394)**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK)	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Intangible assets			
Mining concessions	6	-	61 896 465
Total intangible assets		**-**	**61 896 465**
Tangible assets			
Mine under construction	6	341 290 850	-
Machinery and equipment	6	1 090 300	200 000
Exploration expenses	6	-	14 901 277
Total tangible assets		**342 381 150**	**15 101 277**
Total non-current assets		**342 381 150**	**76 997 742**
Current assets			
Receivables			
Other receivables	7	21 584 334	1 903 183
Bond Escrow	12	1 032 597 275	-
Total receivables		**1 054 181 609**	**1 903 183**
Restricted cash	8	4 215 000	-
Cash and cash equivalents	8	32 377 388	2 446 848
Total current assets		**1 090 773 997**	**4 350 031**
TOTAL ASSETS		**1 433 155 147**	**81 347 773**

(Amounts in NOK)	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	9,10	24 705 000	23 332 500
Share premium	10	164 700 000	-
Other paid-in capital	10	-	-
Total paid-in equity		**189 405 000**	**23 332 500**
Retained earnings/(losses)	10	(82 747 041)	(10 403 718)
Total retained earnings/(losses)		**(82 747 041)**	**(10 403 718)**
Total equity		**106 657 959**	**12 928 782**
Liabilities			
Other non-current liabilities			
Liability to parent company	11	413 885 268	63 819 094
Total other non-current liabilities		**413 885 268**	**63 819 094**
Current liabilities			
Trade payables	11	37 549 271	2 190 960
Bond loan	12	850 824 650	-
Public duties payable		568 612	307 083
Other current liabilities	13	23 669 386	2 101 853
Total current liabilities		**912 611 920**	**4 599 897**
Total liabilities		**1 326 497 188**	**68 418 991**
TOTAL EQUITY AND LIABILITIES		**1 433 155 147**	**81 347 773**

CASH FLOW STATEMENT

(Amounts in NOK)	Note	**2022**	**2021**
Cash flow from operating activities			
Profit/(loss) before tax		(72 343 323)	(55 813 394)
Depreciation	6	30 700	-
Interest and fees, loans and borrowings	4	38 393 066	3 967 813
Interest Bond Escrow		(5 795 191)	-
Foreign exchange, net		3 073 514	-
Transfer to restricted account	8	(4 215 000)	-
Change in working capital		(5 826 468)	(903 328)
Net cash flow from operating activities		**(46 682 701)**	**(52 748 908)**
Cash flow from investing activities			
Investment in mine under construction	6	(233 748 083)	-
Acquisition of property, plant and equipment	6	(921 000)	(450 270)
Net cash flow from investing activities		**(234 669 083)**	**(450 270)**
Cash flow from financing activities			
Transfer to Bond Escrow	12	(178 782 913)	-
Interest and financing fees paid		(17 439 894)	-
Loan from parent company	11,10	508 750 587	54 519 230
Net cash flow from financing activities		**312 527 780**	**54 519 230**
Net change in cash and cash equivalents		**31 175 995**	**1 320 052**
Cash and cash equivalents at beginning of period		2 446 848	1 126 797
Effect of exchange rate fluctuation on cash held		(1 245 456)	-
Cash and cash equivalents at end of period	8	**32 377 388**	**2 446 848**
Net change in restricted cash	8	4 215 000	-
Restricted cash at beginning of period		-	-
Restricted cash at end of period	8	**4 215 000**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR 2022

Note 1 – ACCOUNTING POLICIES

Basic principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles for small companies.

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.

Acquisition of mining and mineral properties and exploration and development of such properties

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets acquired.

Some exploration and evaluation assets should be classified as intangibles, such as drilling rights and capitalized exploration cost. When technical feasibility and commercial viability of extracting a mineral resource is demonstrable, the assets should be reclassified as tangible assets. Evaluation and exploration assets that are classified as intangible assets are tested for impairment prior to reclassification.

Exploration and development for mineral properties

The Company employs the successful efforts method to account for exploration and development cost. All exploration cost, with the exception of acquisition cost of licenses and direct drilling costs are expensed as incurred. Drilling costs are temporarily capitalized pending the evaluation of the potential existence of mineral reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs are expensed. Cost of acquiring licenses is capitalized and assessed for impairment at each reporting date.

Mine under construction

During 2022, Evaluation and exploration assets related to Engebø was reclassified in the balance sheet to Mine under construction. The Company's accounting policy is to test Evaluation and exploration assets for impairment and transfer to Mine under construction as soon as a project has been sanctioned for construction. After transfer of the evaluation and exploration assets, all subsequent 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 the category 'Producing mine'. Mine under construction is not depreciated until construction is completed and the assets are available for their intended use.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. Any investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Borrowing costs relating to USD 100 million senior secured bond has been expensed up to the satisfaction of the condition of the Engebø Project being fully financed are recognized as expense in the income statement at amortized cost using the effective interest-rate method. The conditions were satisfied on 8 March 2023. Following the satisfaction of the financing conditions, borrowing costs related to the bond loan will be capitalized as part of "Mine under construction" at amortized cost using the effective interest-rate method. Other borrowing costs are expensed in the period in which they incur.

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.

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.

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)	**2022**	**2021**
Wages and salaries	5 362 094	4 020 793
Social security costs	827 699	596 986
Share-based compensation	-	67 212
Pension costs	287 088	177 736
Other personnel costs	438 192	112 090
Capitalized payroll costs	(4 896 442)	-
Total	**2 018 631**	**4 974 818**

Number of employees at 31.12:	7	4

Salaries and other remuneration to General Manager is NOK 0.
The General Manager receives salary from the parent company Nordic Mining ASA.
Remuneration to Board of Directors is NOK 0.

Auditor fees (excl. VAT)		
(Amounts in NOK)	**2022**	**2021**
Statutory audit	26 163	74 300
Other attestation services	22 663	23 700
Total	**48 825**	**98 000**

Note 3 - OTHER OPERATING EXPENSES

(Amounts in NOK)	**2022**	**2021**
Lease expenses	1 126 061	585 021
Consulting and legal fees	26 097 337	37 913 103
Fees for administrative services group	9 260 460	9 260 460
Other costs	1 726 950	468 840
Skattefunn (tax credit)	-	(1 513 084)
Other operating expenses capitalized	(3 817 877)	-
Total	**34 392 931**	**46 714 339**

Note 4 - FINANCIAL INCOME AND FINANCIAL COSTS

(Amounts in NOK)	**2022**	**2021**
Interest income	5 843 578	-
Foreign exchange gains	39 510 951	87 313
Total financial income	**45 354 528**	**87 313**
Interest cost liability to parent company	7 388 087	3 967 813
Interest cost bond loan	17 455 635	
Interest cost capitalized	(4 867 971)	
Transaction costs/fees from financing	18 417 316	
Foreign exchange losses	42 861 653	243 737
Other finance costs	869	
Total financial costs	**81 255 589**	**4 211 550**

Note 5 - INCOME TAXES

(Amounts in NOK)	**2022**	**2021**
Taxes payable	-	-
Changes in deferred tax	-	-
Total income tax expense	-	-

(Amounts in NOK)	**2022**	**2021**
Calculation of tax base/tax loss carryforward		
Profit/(loss) before tax	(72 343 323)	(55 813 394)
Permanent differences	3 522	74 298
Permanent differences - Skattefunn credit	-	(1 513 084)
Change in temporary differences	(79 836 153)	(25 197)
Tax base/tax loss carryforward	**(152 175 955)**	**(57 277 376)**

Temporary differences and tax loss carryforward at 31 December		
(Amounts in NOK)	**2022**	**2021**
Intangible and tangible assets	19 842 118	14 800 489
Bond loan	74 794 524	-
Tax loss carryforward	(463 403 143)	(311 227 188)
Total basis for deferred tax asset	**(368 766 501)**	**(296 426 700)**
22 % deferred tax asset	(81 128 630)	(65 213 874)

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 2022, 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 as of 31 December 2022.

Note 6 - INTANGIBLE AND TANGIBLE ASSETS

(Amounts in NOK)	**Machinery and equipment**	**Exploration expenses**	**Mining concessions**	**Mine under construction**
Cost				
01.01.2022	656 213	14 901 277	61 896 465	-
Transfer to mine under construction	-	(14 901 277)	(61 896 465)	76 797 742
Additions	921 000	-	-	264 493 108
Disposals	-	-	-	-
31.12.2022	1 577 213	-	-	341 290 850
Accumulated depreciation				
01.01.2022	(456 213)	-	-	-
Depreciation	(30 700)	-	-	-
Disposals	-	-	-	-
31.12.2022	(486 913)	-	-	-
Net book value				
01.01.2022	200 000	14 901 277	61 896 465	-
31.12.2022	1 090 300	-	-	341 290 850
Depreciation plan	Linear 5 years			

In April 2022 Nordic Rutile AS has exercised the agreements with landowners to acquire the main properties at Engebø, which includes immediate access to the process plant area. The Company has started early construction works at Engebø, which includes preparing the properties for construction, continuation of detailed project planning and process for procurement of critical process equipment, and commencement of groundworks on process plant area and preparatory works for tunnelling.

The direct costs related to the work described above has been capitalized in the balance sheet as Mine under construction, together with the cost of acquiring the land properties at Engebø. In addition, capitalized mining concessions and exploration expenses related to Engebø has in 2022 been reclassified in the balance sheet to Mine under construction.

Mining concessions Engebø

The carrying amount for licenses related to the Engebø area is included in the transfer to mine under construction. Additionally, 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 2022.

In October 2021 the Oslo District Court has ruled in favour of Nordic Rutile in the court case against Artic Mineral Resources (AMR). The ruling confirms that Nordic Rutile's extraction rights are valid and that the company has the right to extract and - within the limits of the Norwegian Mining's Act - utilize garnet and all other minerals on the Vevring side of the Engebø deposit. AMR appealed the ruling.

The Borgarting Court of Appeal ruled in October 2022 in favour of Nordic Rutile. The ruling received confirms that Nordic Rutile has exclusive right to all minerals in the Engebø deposit - within the limits of the Norwegian Mining Act - in line with the operating license granted by the Ministry of Trade, Industry and Fisheries in May 2022. The court ruled that AMR shall pay all legal expenses. AMR appealed the verdict to the Supreme Court in November 2022 and in April 2023 the Supreme Court's appeals committee concluded that the appeal will be heard before the Supreme Court, tentatively scheduled to take place before the summer 2023.

Note 7 - OTHER RECEIVABLES

(Amounts in NOK)	**2022**	**2021**
Prepayments	34 885	81 493
VAT receivable	21 549 449	1 474 346
Skattefunn (receivable tax credit)	-	347 344
Total other receivables	**21 584 334**	**1 903 183**

Note 8 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(Amounts in NOK)	**2022**	**2021**
Bank deposits	32 377 388	2 446 848
Total cash and cash equivalents	**32 377 388**	**2 446 848**
Restriced cash in tax withholding account	324 133	163 724

Restricted cash

In addition to the amounts referred to above, the Company has a deposit of NOK 4.2 million on a restricted account at year end pledged toward the Directorate of Mining. The purpose of the deposit is clean-up measures in accordance with the operating license.

Note 9 - SHARE CAPITAL

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

		(Amounts in NOK)	
Share capital 31.12.2022:	**Number of shares**	**Par value**	**Share capital**
Opening balance 01.01.2022	13 725	1 700	23 332 500
Share issue - conversion of debt	807	1 700	1 372 500
Closing balance 31.12.2022	**14 532**	**1 700**	**24 705 000**

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)	**Share capital**	**Share premium**	**Other paid-in capital**	**Retained arnings/(losses**	**Total**
01.01.2022	23 332 500	-	-	(10 403 718)	12 928 782
Conversion of debt	1 372 500	164 700 000	-	-	166 072 500
Profit/(loss) for the period	-	-	-	(72 343 323)	(72 343 323)
At 31 December 2022	**24 705 000**	**164 700 000**	**-**	**(82 747 041)**	**106 657 959**

Note 11 - INTERCOMPANY BALANCES

(Amounts in NOK)	**2022**	**2021**
Non-curent liability to parent company *	413 885 268	63 819 094
Current liability to parent company included in trade payables	1 867 510	-
Total intercompany balances	**415 752 777**	**63 819 094**

* Non-curent liability is to the parent company Nordic Mining ASA. Interest rate is 5%.

Note 12 - BOND LOAN AND BOND ESCROW

(Amounts in NOK)	**2022**	**2021**
Bond loan	985 730 000	-
Capitalized transaction costs bond loan	(134 905 350)	-
Total bond loan	**850 824 650**	**-**

In November 2022, Nordic Rutile 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 loan is classified as a current liability in the balance sheet until satisfaction of the pre-disbursement conditions precedent results in drawdown of the bond proceeds from the bond escrow account.

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.

Bond Escrow

(Amounts in NOK)	**2022**	**2021**
Bond Escrow	1 032 597 275	-
Total Bond Escrow	**1 032 597 275**	**-**

The net proceeds of the bonds of USD 90 million was on issue deposited into a bond escrow account, together with issue transfer to bond Escrow account of NOK –178.8 million for issue discount of USD –10 million, four months bond interest of USD 4.2 million and transaction costs of USD 3.3 million in line with the bond terms. Following conditions of the Engebø Project being fully funded, which were satisfied on 8 March 2023, and certain pre-disbursement conditions precedent, the proceeds from the bonds will be released in three tranches from the bond escrow account to be used for costs and expenditures to bring the Engebø Project into commercial production.

Note 13 - OTHER CURRENT LIABILITIES

(Amounts in NOK)	**2022**	**2021**
Accrued interest bond loan	17 455 635	-
Employee salary and holiday pay accrual	694 023	432 761
Accrued expenses	5 519 728	1 669 092
Total	**23 669 386**	**2 101 853**

Note 14 - EVENTS AFTER BALANCE SHEET DATE

In January 2023 Nordic Rutile AS entered into a globally 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. The consideration will be based on a pre-agreed price schedule for the 5-year period. Nordic Rutile has through this offtake agreement secured, together with the rutile offtake agreements announced earlier, committed sales for up to the full production of both rutile and garnet from Engebø for the first 5 years of production, all with highly reputable buyers. In addition to materially de-risk the market side, Nordic Rutile will with the three offtake agreements in place satisfy the offtake related conditions in the company’s financing agreements. The offtake agreements are inter alia subject to certain conditions precedent.

In February 2023 Nordic Rutile AS has signed binding agreements with a fund managed by Orion Resource Partners (“Orion”) for USD 55 million investment in the Engebø Rutile and Garnet Project (the “Engebø Project”). The investment comprises a USD 50 million non-dilutive royalty instrument to Nordic Rutile AS and USD 5 million in equity, which will be contributed to Nordic Mining ASA. The royalty instrument is secured, subordinate to the USD 100 million senior secured bond issued on 9 November 2022, subject to the terms of an Intercreditor Agreement.

In March 2023 Nordic Mining ASA increased the share capital in Nordic Rutile AS through conversion of NOK 977,220,000 in intercompany loans provided to Nordic Rutile following the completion of the NOK 940 million private placement in Nordic Mining ASA to fully finance the Engebø Project and satisfy the financing conditions related to Nordic Rutile ASs project financing package for the Engebø Project.

In April 2023 the Supreme Court's appeals committee concluded that the appeal by AMR will be heard before the Supreme Court, tentatively scheduled to take place before the summer 2023.

Definitions
Alternative Performance Measures

Nordic Mining's financial information is prepared in accordance with International Financial Reporting standards ("IFRS"). In addition, the Group use selected Alternative Performance Measures ("APMs") intended to enhance the understanding and comparability of the project economics of the Engebø Rutile and Garnet Project. Nordic Mining's experience is that these APMs are used by analysts, investors, and other parties. The Alternative Performance Measures presented may be determined or calculated differently by other companies.

The main APMs used are the following:
- EBITDA: Projected revenues minus projected operating costs and royalties
- EBITDA-margin: Projected EBITDA divided by total projected revenues
- Free Cash Flow (Unlevered): Projected operating cash flow minus net cash flow from investing activities
- IRR: Projected Internal Rate of Return ("IRR") derived from the Free Cash Flow
- NPV: Net Present Value ("NPV") of the Free Cash Flow discounted using a real discount rate of 8%
- Operating Cash Flow (Unlevered): Projected EBITDA minus projected corporate income tax and changes in net operating working capital

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nordic Rutile AS

Opinion

We have audited the financial statements of Nordic Rutile AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and 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 2022 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 and fair presentation of the financial statements 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, 26 April 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)