ENGEBØ RUTILE AND GARNET AS

Annual Report 2024

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 Oslo Stock Exchange.

BOARD OF DIRECTOR'S REPORT 2024

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 enable efficient and climate friendly production of high-quality natural rutile and garnet.

The Company has entered into offtake agreements that cover substantially all the planned production for the first five years. In 2022 ERG entered into offtake agreements for rutile, and in January 2023 ERG 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.

In March 2023, the Company secured the final part of the project financing package for the Engebø Project, comprising equity, senior secured bond, and non-dilutive royalty financing. In 2024, the Company successfully completed the staged release of funds from the USD 100 million senior secured bond escrow account for the Engebø Project. The first release of USD 30 million occurred in March, followed by a second USD 30 million release in May, and the final USD 48 million release in August. Each release was contingent upon an independent engineer confirming that the cost-to-complete test was satisfied. These third-party assessments affirmed that the project remains on schedule and within budget, ensuring sufficient funding for its completion. In March 2025, Engebø increased the existing bonds with USD 33 million. Reference is made to note 26 in the consolidated financial statements for Nordic Mining for information regarding the bond increase.

The construction of the Engebø Project has been completed through four lump-sum EPC ("Engineering, Procurement and Construction") contracts with Sunnfjord Industripartner AS, Åsen & Øvrelid AS, Nordic Bulk AS and Normatic AS, and all parts of the mine and processing plant have been installed and commissioned at site.

The construction project reported 995 working days by the four EPCs, including subcontractors, with zero LTIs. Total hours worked on site for the project, by the EPCs, exceeded 400 000 hours by end of 2024.

Despite challenges in worldwide logistics with congested ports around the world, the project was able to mitigate all significant fabrication and logistics risks related to mechanical process equipment packages without impacting the planned construction schedule.

The administration and workshop buildings were completed in the first quarter of 2024 and the operations team started using the facilities for operation readiness in May. The operations team started a significant onboarding process growing to around 75 employees by the end of the third quarter of 2024, which is sufficient for full commissioning of ore and early stage of production ramp-up. In steady state operations, the total expected number of employees is 110-120, including the mining services provider.

Significant milestones achieved in 2024

- Mining alliance agreement in place in September
- First ore to primary crushing, including ore pass design verification in September
- First ore to the milling and mineral separation circuits achieved in November
- First mineral concentrate was produced at Engebø on 23 December

In the second quarter, the company entered into a 5-year mining alliance agreement with Sunnfjord Industripartner AS to provide mining services for the open-pit operations. The contract commenced in September with machinery and resources ramping up activities in parallel with preparing for production ramp-up. The construction phase has facilitated the ore required for the first 3 months of production ramp-up and the initial focus for mining activities is to provide access to high grade ore for continued production and prepare all required infrastructure for efficient mining operations.

On 23 December 2024, the Company achieved production of first mineral concentrate, which marks an important milestone for the company and transition to the ramp-up phase that started in January 2025. The ramp-up phase will be carried out in 2025, and the Company is targeting design operating rates and stable operations in 2025.

FINANCIAL PERFORMANCE

For comparison, numbers in brackets relate to the comparable period in 2023.

The Engebø Project is under construction and the Company has, so far, no sales revenues from operations. Reported operating loss for 2024 was NOK -27.7 million (NOK -27.3 million), mainly relating to non-capitalizable operating costs related to the development and construction of the Engebø Project.

Net financial items were NOK -63.5 million for 2024 (NOK -7.0 million). The main financial items were net loss on foreign exchange related to the bond loan, Bond Escrow and royalty liability of NOK -132.5 million, other foreign exchange gain of NOK 11.3 million, interest on Bond Escrow and bank deposits of NOK 17.9 million, other foreign exchange gain of NOK 11,3 million, change in estimate of royalty liability of NOK 47.9 million and costs from financing of NOK –2.1 million. Please see note 6 for further information. Borrowing costs on loans from parent company, the bond loan and the royalty liability, net of interest on bond Escrow, have been capitalized under Mine under construction, in total NOK 273.5 million for 2024.

Reported net loss was NOK –91.2 million for 2024, compared to a net loss of NOK -34.3 million for 2023.

In 2024, the Company capitalized NOK 1.3 billion on the balance sheet under Mine under construction for direct costs related to the construction work, up from NOK 1.1 million in 2023. The total carrying amount for Mine under construction was NOK 2.8 billion as of 31 December 2024 (31 December 2023: NOK 1.5 billion).

Net cash outflow from operating activities for 2024 was NOK −30.1 million as compared to NOK −26.2 million in 2023. Net cash flow from the Company's investment activities related to investment in Mine under construction for 2024 year was NOK −1,072.8 million (NOK −885.1 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 2024 of USD 12.0 million (corresponding to NOK 136.3 million) is included in interest and financing fees paid. Please see note 13 for further information related to the Bond Escrow account. For 2024, the Company released USD 108 million (corresponding to NOK 1,152.4 million) from the bond Escrow account, resulting in net cash flow from financing activities of in total NOK 1,016.1 million (NOK 1,407.7 million). Please see notes 12 and 13 for further information.

The Company's cash and cash equivalents as of 31 December 2024 were NOK 361.7 million (31 December 2023: NOK 522.2 million). In addition, the Company had NOK 12.6 million in the restricted account pledged toward Directorate of Mining ("DirMin") for clean-up measures in accordance with the operating license. Please see note 9 for further information.

The Company's total assets as of 31 December 2024 were NOK 3.3 billion (31 December 2023: NOK 3.1 billion), and total equity was NOK 923.6 million (31 December 2023: NOK 1.0 billion).

Based on current forecasts and plans, the Board considers that the Company's financing and working capital are 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 based on a going concern assumption and in accordance with section 3-3a of the Accounting Act.

RISK MANAGEMENT

The Company is exposed to several 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 a 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. As of December 31, 2024, there is an ongoing case between two Norwegian environmental organizations and the Norwegian state concerning the Norwegian state's waste permit to ERG. EFTA made an advisory opinion in March 2025 and the case is to be heard by the Borgarting Court of Appeal (Borgarting lagmannsrett) in June 2025. Reference is made to note 26 in the consolidated financial statements for Nordic Mining for more information.

In general, whether and when permits are granted, amended or revoked, 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 and royalty liability which are denominated in USD. The Company's future revenue is expected to be denominated primarily in USD, with a significant percentage of income taxes, operating expenses, capital expenditures and future dividends in NOK. Therefore, the Company has a large part of the financial indebtedness in USD to reduce the overall economic currency risk. The Company had no outstanding foreign exchange hedges or instruments at year-end 2024.

The Company has significant debt through its USD 100 million bond and its USD 50 million royalty instrument, but neither is impacted by interest rate fluctuations. The bond has a fixed interest rate of 12.5%, the loans from Nordic Mining have 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 2024.

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, bond loan 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 2024 NOK 1,043.6 million in interest-bearing debt to a third party, comprising a USD 100 million senior secured bond measured at amortized cost using the effective interest method. The Company also had an interest-bearing liability of NOK 518.0 million to the parent company as of 31 December 2024.

The bond agreement has a financial covenant stipulating that the Company shall at all times maintain cash on its accounts of no less than USD 15 million and a minimum equity ratio of no less than 25 % at Group level at each quarter end. A breach of the covenant could result in a default under the agreement.

In March 2025, Nordic Mining ASA completed an increase of USD 33 million on existing bonds. In connection with the publication of the fourth quarter results, the Group reported that the expected minimum liquidity of USD 25 million was set to be lower than previously reported. Following this, the Group received an inquiry from bond investors with an offer to increase the existing bond, whereupon the Group used the opportunity to strengthen the liquidity of ERG with USD 33 million so they can continue their production ramp-up in an optimal way and at the same time obtain a liquidity buffer in case of any unforeseen events. Due to unforeseen challenges in Q1 2025, there has been a delay in the production and shipment plans affecting the estimated revenues for 2025. We remain confident in the Company's liquidity position, supported by the positive contribution from the tap issue in March 2025. For more information see note 26 in the consolidated financial statements for the Group.

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 favorable terms and conditions. Mitigating these market risks is 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.

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 supports and respects internationally proclaimed human and labor rights and is committed to implementing and enforcing systems and practices to minimize any risks of infringement associated with human and labor rights. Nordic Mining's reporting on the Norwegian Transparency Act is available on the Company's website.

The Group has established policies to insure both people and property for certain risks as well as established liability insurance for Directors. The Group has developed guidelines concerning corporate, social, and ethical conduct which are available on the corporate website.

For details on the Group's Corporate Governance, see page 25 in Nordic Mining's annual report for 2024.

ORGANIZATION

At the end of 2024 the Company had 76 employees, consisting of 19 women and 57 men. The management team consisted of five women and four men.

FINANCIAL STATEMENTS AND CAPITAL SITUATION

The net loss for Engebø Rutile and Garnet AS for 2024 was NOK 91,158,155 (NOK 34,344,966). As of 31 December 2024, the total equity amounted to NOK 923,579,012 (NOK 1,014,737,167).

The Board proposes that the year's loss of NOK 91,158,155 in Engebø Rutile and Garnet AS shall be transferred to retained losses.

Oslo, 24 April 2025
The Board of Directors of Engebø Rutile and Garnet AS

Finn Ivar Marum	Tord Meling	Kenneth Nakken Angedal
Chair of the board	Board member	Managing Director

INCOME STATEMENT

(Amounts in NOK thousands)	Note	**2024**	**2023**
Payroll and related costs	2	-	(0)
Depreciation and amortization	4	(2 365)	(180)
Other operating expenses	5	(25 340)	(27 152)
Total operating expenses		**(27 705)**	**(27 333)**
Operating profit/(loss)		**(27 705)**	**(27 333)**
Financial income and financial costs			
Net exchange rate gain/loss (-)	6	(127 056)	25 227
Financial income	6	65 737	22 736
Financial costs	6	(2 134)	(54 976)
Net financial items		**(63 453)**	**(7 012)**
Profit/(loss) before tax		**(91 158)**	**(34 345)**
Income tax	7	-	-
Profit/(loss) for the period		**(91 158)**	**(34 345)**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK thousands)	Note	**31.12.2024**	**31.12.2023**
ASSETS			
Non-current assets			
Tangible assets			
Mine under construction	3	2 770 630	1 462 466
Property, plant and equipment	4	95 021	912
Total tangible assets		**2 865 651**	**1 463 378**
Total non-current assets		**2 865 651**	**1 463 378**
Current assets			
Receivables			
Other receivables	8	25 065	28 904
Spare parts inventory		10 011	
Bond Escrow	13	-	1 075 042
Total receivables		**35 076**	**1 103 946**
Restricted cash	9	12 645	8 430
Cash and cash equivalents	9	361 737	522 164
Total current assets		**409 458**	**1 634 541**
TOTAL ASSETS		**3 275 108**	**3 097 919**
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	10,11	26 078	26 078
Share premium	11	897 502	988 660
Other paid-in capital	11	-	-
Total paid-in equity		**923 579**	**1 014 737**
Retained earnings/(losses)	11	-	-
Total retained earnings/(losses)		**-**	**-**
Total equity		**923 579**	**1 014 737**
Liabilities			
Non-current liabilities			
Bond loan	13	1 043 609	902 182
Royalty liability	14	599 798	517 574
Liability to parent company	12	518 048	487 220
Total other non-current liabilities		**2 161 455**	**1 906 975**
Current liabilities			
Trade payables	12	40 098	93 552
Public duties payable		4 426	1 781
Other current liabilities	15	145 550	80 874
Total current liabilities		**190 074**	**176 207**
Total liabilities		**2 351 529**	**2 083 182**
TOTAL EQUITY AND LIABILITIES		**3 275 108**	**3 097 919**

Oslo, 24 April 2025
The Board of Directors of Engebø Rutile and Garnet AS

Finn Ivar Marum	Tord Meling	Kenneth Nakken Angedal
Chair of the board	Board member	Managing Director

CASH FLOW STATEMENT

(Amounts in NOK thousands)	Note	2024	2023
Cash flow from operating activities			
Profit/(loss) before tax		(91 158)	(34 345)
Depreciation	4	2 365	180
Gain/loss on sale of fixed assets		-	117
Interest and fees, loans and borrowings	6	(21 216)	94 458
Interest Bond Escrow	13	(25 497)	(53 517)
Interest income bank deposits	6	(17 877)	(10 972)
Interest bank deposits received	6	17 877	10 972
Foreign exchange, net		118 274	(24 467)
Transfer to restricted account	9	(4 215)	(4 215)
Change in working capital		(8 673)	(4 415)
Net cash flow from operating activities		**(30 120)**	**(26 204)**
Cash flow from investing activities			
Investment in mine under construction	3	(1 072 832)	(885 096)
Acquisition of property, plant and equipment	4	(87 803)	(478)
Sale of property, plant and equipment		-	359
Net cash flow from investing activities		**(1 160 635)**	**(885 215)**
Cash flow from financing activities			
Transfer from Bond Escrow	13	1 152 427	-
Interest paid		(136 317)	(88 694)
Other financing fees paid		-	(23 686)
Loan from parent company	12	-	1 018 052
Transaction costs, share issue		-	(34 796)
Net proceeds from royalty financing		-	536 820
Net cash flow from financing activities		**1 016 110**	**1 407 696**
Net change in cash and cash equivalents		**(174 644)**	**496 278**
Cash and cash equivalents at beginning of period		522 164	32 377
Effect of exchange rate fluctuation on cash held		14 217	(6 491)
Cash and cash equivalents at end of period	9	**361 737**	**522 164**
Net change in restricted cash	9	4 215	4 215
Restricted cash at beginning of period		8 430	4 215
Restricted cash at end of period	9	**12 645**	**8 430**

NOTES TO THE FINANCIAL STATEMENTS FOR 2024
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.

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 are capitalized and depreciated on a straight-line basis 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 used.

Mine under construction

All expenditures of the construction, installation or completion of infrastructure facilities are 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 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". Borrowing costs are presented in the cash flow statement as Interest and fees, loans and borrowings.

Inventories

Rutile and garnet ore stockpiles are valued at the lower of cost or net realizable value. Net realizable value is the estimated future sales price of the product the company expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. The sales prices of the products are determined based on relevant market prices and offtake agreements.

Cost of finished goods is determined using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortization, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to rutile and garnet products with an equal value per tonne produced.

Costs of ore stockpiles which are stored at desired locations around the pit are valued at the costs of ore extraction operations which include drilling, blasting, and hauling. Ore in circuit includes crushed ore stored in silos, which represent material that is currently in the process of being converted to saleable product. In-process material is measured based on assays of the material fed to process and the projected recoveries at the respective plants.

In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine or stockpile plus the in-process conversion costs, including the applicable depreciation relating to the processing facility, incurred to that point in the process. Materials, production supplies and spare parts are measured using the first-in, first-out (FIFO) method.

Interest-bearing liabilities

All loans and borrowings are initially recognized at cost, which is the fair value of the consideration received net of issuance costs 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

In 2023, the Company completed 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.

Derivative instruments
In 2024 the Company entered into derivative foreign exchange contracts. See note 6. Under Norwegian GAAP the contracts are considered to be fair value hedging of the bond escrow. The Company reflects the hedging by recording the bond escrow at the exchange rate on the balance sheet date and the derivative instruments at fair value as financial assets or liabilities. Changes in fair value arising on re-measurement of the derivative instruments are recognized in the income statement as incurred. The Company has entered into a fixed price contract for the purchase of electricity to the mining facilities in Engebø. The fixed price contract covers a portion of the estimated use by the production facilities over the next three years (2025-2027). The contracts are for own use and the realized gain or loss related to the contracts will be accounted for as cost of sales.

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 costs that are 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 as 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)*	**2024**	**2023**
Wages and salaries	37 591	15 810
Social security costs	5 713	2 560
Pension costs	1 710	802
Other personnel costs	1 247	924
Capitalized payroll costs	(46 262)	(20 095)
Total	**0**	**0**
Average number of employees:	44	14

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**	**2024**	**2023**
Salary incl. bonus	2 009	2 168
Other compensation	9	16
Pension costs	97	91
Total	**2 115**	**2 275**

Remuneration to the Board of Directors is NOK 0.

Auditor fees (excl. VAT) *(Amounts in NOK thousands)*	**2024**	**2023**
Statutory audit	846	360
Other attestation services	-	25
Total	**846**	**386**

Note 3 – Mine under construction

(Amounts in NOK thousands)	**Mine under construction**
Cost	
01.01.2024	1 462 466
Additions	1 308 164
Disposals	-
31.12.2024	2 770 630
Accumulated depreciation	
01.01.2024	-
Depreciation	-
Disposals	-
31.12.2024	-
Net book value	
01.01.2024	1 462 466
31.12.2024	2 770 630

The Engebø project is in a test phase and ramp-up phase, which means that the construction phase has been completed and all significant parts of the mine and processing plant have been installed and commissioned at site. At the end of the period, the company does not consider the plant to be operating in the manner intended by management and the direct costs related to the work described above have been capitalized on 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 2024 or 31 December 2023 as the relevant condition of commercial operation was not met.

Pledged as security
The USD 100 million bond loan has mortgages over all real properties owned by Engebø Rutile and Garnet AS and property accession rights agreements (Nw. utvinningsavtaler), first priority floating charge over all machinery and plant, vehicles, inventory and trade receivables of ERG, and first priority pledge over any government granted mining or extraction right. For further details on pledges please see ticker ERUGA01 PRO at https://live.euronext.com/nb to read the loan agreement.

Note 4 – Property, plant and equipment

(Amounts in NOK thousands)	**Buildings**	**Machinery and equipment**	**Total property, plant and equipment**
Cost			
01.01.2024	-	1 004	1 004
Additions	82 085	14 388	96 473
Disposals	-	-	-
31.12.2024	82 085	15 392	97 478
Accumulated depreciation			
01.01.2024	-	(92)	(92)
Depreciation	(1 093)	(1 271)	(2 365)
Disposals		-	-
31.12.2024	(1 093)	(1 363)	(2 457)
Net book value			
01.01.2024	-	912	912
31.12.2024	80 992	14 029	95 021
Depreciation plan	Linear 39 years	Linear 5 and 10 years	

Note 5 – Other operating expenses

(Amounts in NOK thousands)	**2024**	**2023**
Lease expenses	4 118	1 869
Consulting and legal fees *	(3 208)	10 781
Fees for administrative services group	9 267	9 130
Other costs	15 164	5 372
Other operating expenses capitalized	-	-
Total	**25 340**	**27 152**

* The Norwegian Supreme Court ruled in March 2024 in favour of Engebø Rutile and Garnet AS on all counts in the case against Arctic Mineral Resources ("AMR"). The court also ruled that AMR should 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 2024.

The Company has entered into a fixed price contract for the purchase of electricity to the mining facilities in Engebø. The fixed price contract covers a portion of the estimated use by the production facilities over the next three years (2025-2027).

Note 6 – Financial items

(Amounts in NOK thousands)	**2024**	**2023**
Foreign exchange gain/loss (-) on bond escrow in USD	51 888	30 917
Foreign exchange gain/loss (-) on USD bond loan	(118 100)	(31 510)
Foreign exchange gain/loss (-) on USD royalty liability	(66 279)	31 551
Foreign exchange gain/loss (-) on FX derivatives *	(5 854)	-
Other net foreign exchange gain/loss (-)	11 288	(5 731)
Net exchange rate gain/loss (-)	**(127 056)**	**25 227**
Interest income on bank deposits	17 877	10 972
Interest income bond escrow	25 497	53 517
Interest income bond escrow, capitalized**	(25 497)	(41 752)
Change in estimate royalty liability	47 860	-
Financial income	**65 737**	**22 736**
Interest cost liability to parent company	(30 828)	(32 502)
Interest cost and transaction cost bond loan**	(158 091)	(152 264)
Amortized cost royalty liability	(111 053)	(12 305)
Interest cost on loans and amortized cost on royalty liability capitalized**	299 972	166 876
Other transaction costs/fees from financing	(2 134)	(24 780)
Financial costs	**(2 134)**	**(54 976)**

* The Company has entered into foreign exchange (FX) derivative contracts for forward sale of USD and purchase of NOK in Q2 2024 and Q3 2024. The purpose of the trades was to hedge the USD/NOK foreign exchange rate for the release of USD amounts from bond escrow. The value dates aligned with the expected bond Escrow account release dates for the second and third releases. The contracts expired in Q2 2024 and in Q3 2024, with a net loss of NOK 5.9 million.

** Interest and transaction costs on bond loan (net of interest income on bond escrow) have been capitalized from March 2023, interest on liability to parent company has 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 7 – Income taxes

(Amounts in NOK thousands)	**2024**	**2023**
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)	**2024**	**2023**
Mine under construction/PP&E	(142 910)	(31 868)
Bond loan	(7 291)	(9 667)
Royalty liability	142 350	113 866
Gain/loss account royalty financing	-	-
Tax loss carry forward	124 207	23 979
Total net deferred tax assets	**116 356**	**96 310**

The deferred tax asset is not recognized on 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 2024, 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 2024.

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)	**2024**	**2023**
Income/loss (-) before tax	(91 158)	(34 345)
Nominal tax rate	22 %	22 %
Expected tax expense/(income)	**(20 055)**	**(7 556)**
Non-deductible costs	8	29
Non-recognized tax assets on current year result	20 046	7 527
Tax expense/(income)	(0)	(0)

Note 8 – Other receivables

(Amounts in NOK thousands)	**2024**	**2023**
Prepayments	1 284	1 095
VAT receivable	23 722	27 809
Other receivables	59	-
Total other receivables	**25 065**	**28 904**

Note 9 – Cash and cash equivalents and Restricted cash

(Amounts in NOK thousands)	**2024**	**2023**
Bank deposits	361 737	522 164
Total cash and cash equivalents	**361 737**	**522 164**
Restriced cash in tax withholding account	2 418	965

Restricted cash
In addition to the amounts referred to above, the Company has a deposit of NOK 12.6 million (2023: NOK 8.4 million) in a restricted account at year-end pledged toward the Directorate of Mining. According to the standard procedure in Norway, the Company is obligated to provide financial security in favor of the Directorate of Mining. The size of the security is according to the requirement in the operating license to cover safety and clean-up measures in case of mine closure.

Note 10 – Share capital

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

Share capital 31.12.2024:	**Number of shares**	**Par value**	*(Amounts in NOK)* **Share capital**
Opening balance 01.01.2024	15 340	1 700	26 077 500
Share issue - conversion of debt		1 700	-
Closing balance 31.12.2024	**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 11 – Equity

(Amounts in NOK thousands)	**Share capital**	**Share premium**	**Retained earnings/ (losses)**	**Total**
01.01.2024	26 078	988 660	-	1 014 737
Profit/(loss) for the period			(91 158)	(91 158)
Reduction of share premium to cover losses	-	(91 158)	91 158	-
At 31 December 2024	**26 078**	**897 502**	**-**	**923 579**

Note 12 – Intercompany balances

(Amounts in NOK thousands)	**2024**	**2023**
Non-curent liability to parent company *	518 048	487 220
Current liability to parent company included in trade payables	144	332
Total intercompany balances	**518 192**	**487 552**

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

Note 13 – Bond loan and Bond escrow

(Amounts in NOK thousands)	**2024**	**2023**
Bond loan	1 135 340	1 017 240
Capitalized transaction costs bond loan	(91 731)	(115 058)
Total bond loan	**1 043 609**	**902 182**

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, maturity in November 2027, and an issue price of 90%.

The net proceeds of the bond of USD 90 million were on issue deposited into a Bond Escrow account, together with issue discount of USD 10 million, four months bond interest of USD 4.2 million, and transaction costs of USD 3.3 million, transferred by Engebø Rutile and Garnet AS in line with the bond terms. Following conditions of the Engebø Project being fully funded, which were satisfied on 8 March 2023, the bonds were reclassified to non-current liability in the statement of financial position. The proceeds from the bond were released in three tranches from the Bond Escrow account after satisfaction of certain predisbursement 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 agreements (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. 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)	**2024**	**2023**
Bond Escrow	-	1 075 042
Total Bond Escrow	**-**	**1 075 042**

Note 14 – Royalty liability

(Amounts in NOK thousands)	**2024**	**2023**
At 1 January	517 573	-
Draw down	-	540 394
Fees paid at inception	-	(3 574)
Foreign exchange	66 279	(31 551)
Amortization, change in estimate and other	15 946	12 305
Total royalty liability	**599 798**	**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 royalty payments under the royalty agreement equal 11% of gross revenue from the Engebø Project.

The royalty liability lasts for the entire operating life of the mine, with an upper limit of 90 years. The Company 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 was 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 to 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 111.1 million in 2024 (2023: NOK 12.3 million).

In December 2024 the Company has, based on updated Rutile price forecasts from TZMI, revised its estimates of future cash flows related to the royalty agreement. The net effect of the change in estimate, NOK 47.9 million, has been recognized as financial income.

Next year's estimated royalty payments have been reclassified to other current liabilities at 31 December 2024.

An annual royalty fee is also calculated and paid to landowners for the extraction of minerals. The royalty fee is equal to 0.5% of the annual income from rutile products sold and 1.25% of the annual income of garnet and other sub-products sold. For other minerals not being sub-products of rutile, the royalty fee is set to 2% of the corresponding annual income. The royalty fee to landowners will be recognized as an expense when incurred.

Note 15 – Other current liabilities

(Amounts in NOK thousands)	**2024**	**2023**
Accrued interest bond loan	20 105	18 015
Employee salary and holiday pay accrual	3 618	1 643
Accrued expenses and other	121 826	61 216
Total	**145 550**	**80 874**

Note 16 – Commitments and contingencies

The Company has a conditional liability to the seller of the mining rights in the Engebø area 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 2024.

The Company has a contingent liability of NOK 40 million to Vestland County Municipality related to contribution to the County Road at Engebø that will be paid if and when the improvement work on the County Road commences. The payment schedule is further dependent on if and when certain amounts are incurred by the County Municipality for road improvements.

Note 17 – Events after the balance sheet date

In January, a minor fire was discovered in one of the dryers at the Engebø facility. No one was injured due to the incident, and the incident was handled according to procedures. The fire has not caused any significant delays in the production ramp-up phase and has not resulted in any impairment of the dryer in 2025.

In March 2025, the existing bond loan was increased with USD 33 million, priced at 101.00% of par. ERG received an inquiry from investors to potentially tap the existing bond with USD 20-25 million. The Group evaluated and considered the opportunity to strengthen the liquidity in ERG in order to carry out the production ramp-up in an optimal way and at the same time obtain a liquidity buffer in case of unforeseen events. Following discussions the tap was upsized to USD 33 million due to interest from existing international holders of the existing bond.

In March 2025, EFTA made an advisory opinion in the case between the Norwegian environmental organizations and the Norwegian state concerning the notion of "overriding public interest" of the waste permit given to Engebø Rutile and Garnet AS. EFTA's advisory opinion states that purely economic grounds do not constitute an overriding public interest, but that securing supply of critical raw materials in the EEA area may in certain circumstances constitute an overriding public interest. The ruling is an advisory opinion and is not legally binding for the Group. The Group is not a party in the case, and we are confident that the permit we have been granted by the Norwegian state is valid. The appeal between the Norwegian environmental organizations and the Norwegian state will be heard by the Borgarting Court of Appeal (Borgarting lagmannsrett) in June 2025.

In Q1 2025, there were unforeseen challenges with design issues in the pump circuits, as announced by the Group 30 March 2024 in a notice to the stock exchange market. The solutions put in place did not work as expected and our contractors are currenctly working on new, permanent solutions. This has resulted in a delay in the production and shipment plans affecting the estimated revenues for 2025. No adjustments to the financial statement for 2024 have been made. The estimated effect on the financial statements is approximately a NOK 20 million increase in financial income due to a reduction of the royalty liability.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the financial statements for 2024 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, 24 April 2025
The Board of Directors of Engebø Rutile and Garnet AS

Finn Ivar Marum	Tord Meling	Kenneth Nakken Angedal
Chair of the board	Board member	Managing Director

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Medlemmer av Den norske Revisorforening

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

INDEPENDENT AUDITOR'S REPORT

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 2024, the income statement and cash flows statement 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 statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 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)* (the 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

The Board of Directors and the managing director (management) are responsible for the information in the Board of Directors' report. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the information in the Board of Directors' report. The purpose is to consider if there is material inconsistency between the information in the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or otherwise the information in the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory 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

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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.

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Oslo, 24 April 2025
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The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

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