



**TOR MINERALS INTERNATIONAL, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

**AS OF AND FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2024 AND 2023**

TOR MINERALS INTERNATIONAL, INC. AND SUBSIDIARIES

| TOR Minerals International, Inc. and Subsidiaries | <u>Page</u> |
|--|--------------------|
| Consolidated Statements of Operations - Nine Months ended September 30, 2024 and 2023 | 2 |
| Consolidated Balance Sheets - As of September 30, 2024 and December 31, 2023 | 3 |
| Consolidated Statements of Shareholders' Equity - Nine Months ended September 30, 2024 and 2023 | 4 |
| Consolidated Statements of Cash Flows - Nine Months ended September 30, 2024 and 2023 | 5 |
| Notes to the unaudited Consolidated Financial Statements | 6 |

TOR Minerals International, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

| | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2024 | 2023 |
| NET SALES | \$ 17,189 | \$ 20,787 |
| Cost of sales | 16,364 | 18,834 |
| GROSS MARGIN | 825 | 1,953 |
| Technical services and research and development | 87 | 56 |
| Selling, general and administrative expenses | 2,623 | 2,641 |
| Gain on disposal of assets | - | (1) |
| OPERATING LOSS | (1,885) | (743) |
| OTHER (EXPENSE) INCOME: | | |
| Interest expense, net | (16) | (15) |
| (Loss) gain on foreign currency exchange rate | (117) | 41 |
| Other expense, net | 11 | - |
| Total Other (Expense) Income | (122) | 26 |
| Loss before provision for income taxes | (2,007) | (717) |
| Income tax expense | 2 | - |
| NET LOSS | \$ (2,009) | \$ (717) |
| <i>Loss per common share:</i> | | |
| Basic and Diluted | \$ (0.57) | \$ (0.20) |
| Diluted | \$ (0.57) | \$ (0.20) |
| <i>Weighted average common shares outstanding:</i> | | |
| Basic and Diluted | 3,542 | 3,542 |
| Diluted | 3,542 | 3,542 |

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

| | <u>September 30,</u> | <u>December 31,</u> |
|--|----------------------|---------------------|
| | <u>2024</u> | <u>2023</u> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,052 | \$ 3,185 |
| Investment – short-term | 750 | - |
| Trade accounts receivable, net | 3,040 | 2,150 |
| Inventories | 7,589 | 7,841 |
| Other current assets | 851 | 940 |
| Total current assets | 13,282 | 14,116 |
| PROPERTY, PLANT AND EQUIPMENT, net | 8,071 | 8,161 |
| OTHER ASSETS: | | |
| Operating lease right-of-use assets | 2 | 52 |
| Other asset - miscellaneous | 2 | 3 |
| Total other assets | 4 | 55 |
| Total Assets | \$ 21,357 | \$ 22,332 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 1,709 | \$ 1,803 |
| Accrued expenses | 1,046 | 1,327 |
| Notes payable under lines of credit | 786 | 16 |
| Current maturities - financed lease liability | 6 | 15 |
| Current maturities - operating lease liability | 1 | 51 |
| Current maturities of long-term debt – financial institutions | 154 | 153 |
| Total current liabilities | 3,702 | 3,365 |
| LONG-TERM LIABILITIES: | | |
| Long-term debt - financed lease liability, net of current | - | 5 |
| Long-term debt - operating lease liability, net of current | 1 | 1 |
| Long-term debt - financial institutions, net of current | 200 | 311 |
| Other long term liability, net of current | 92 | 124 |
| Total liabilities | 3,995 | 3,806 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY: | | |
| Common stock \$1.25 par value: authorized, 6,000 shares; 3,542 shares issued and outstanding at September 30, 2024 & December 31, 2023 | 4,427 | 4,427 |
| Additional paid-in capital | 31,251 | 31,222 |
| Accumulated deficit | (17,312) | (15,303) |
| Accumulated other comprehensive loss | (1,004) | (1,820) |
| Total shareholders' equity | 17,362 | 18,526 |
| Total Liabilities and Shareholders' Equity | \$ 21,357 | \$ 22,332 |

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
Nine months ended September 30, 2024 and 2023
(In thousands, except per share amounts)
(Unaudited)

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total |
|--|--------------|-----------------|----------------------------------|------------------------|---|------------------|
| | Shares | Amount | | | | |
| Balance at January 1, 2023 | 3,542 | \$ 4,427 | \$ 31,013 | \$ (13,772) | \$ (1,662) | \$ 20,006 |
| Share-based compensation | - | - | 208 | - | - | 208 |
| Net loss | - | - | - | (717) | - | (717) |
| Cumulative Translation Adjustment | - | - | - | - | (514) | (514) |
| Balance at September 30, 2023 | <u>3,542</u> | <u>\$ 4,427</u> | <u>\$ 31,221</u> | <u>\$ (14,489)</u> | <u>\$ (2,176)</u> | <u>\$ 18,983</u> |
| Balance at January 1, 2024 | 3,542 | \$ 4,427 | \$ 31,222 | \$ (15,303) | \$ (1,820) | \$ 18,526 |
| Share-based compensation | - | - | 29 | - | - | 29 |
| Net loss | - | - | - | (2,009) | - | (2,009) |
| Cumulative Translation Adjustment | - | - | - | - | 816 | 816 |
| Balance at September 30, 2024 | <u>3,542</u> | <u>\$ 4,427</u> | <u>\$ 31,251</u> | <u>\$ (17,312)</u> | <u>\$ (1,004)</u> | <u>\$ 17,362</u> |

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|--|------------------------------------|----------|
| | 2024 | 2023 |
| <i>CASH FLOWS FROM OPERATING ACTIVITIES:</i> | | |
| Net Loss | \$ (2,009) | \$ (717) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,120 | 1,152 |
| Gain on disposal of assets | | (1) |
| Share-based compensation | 29 | 208 |
| Provision of bad debt | 5 | 39 |
| Changes in working capital: | | |
| Trade accounts receivable | (845) | (696) |
| Inventories | 754 | 2,505 |
| Other current assets | 104 | (348) |
| Right-of-use operating leases | 45 | 41 |
| Accounts payable and accrued expenses | (539) | (818) |
| Net cash (used in) provided by operating activities | (1,336) | 1,365 |
| <i>CASH FLOWS FROM INVESTING ACTIVITIES:</i> | | |
| Additions to property, plant and equipment | (824) | (469) |
| Proceeds from sales of property, plant, and equipment | - | 1 |
| Purchase of short-term investments | (750) | - |
| Net cash used in investing activities | (1,574) | (468) |
| <i>CASH FLOWS FROM FINANCING ACTIVITIES:</i> | | |
| Proceeds from lines of credit | 769 | 100 |
| Payments on lines of credit | - | (713) |
| Payments on financed leases | (11) | (35) |
| Payments on long-term bank debt | (116) | (110) |
| Net cash used in financing activities | 639 | (758) |
| Effect of foreign currency exchange rate fluctuations on cash and cash equivalents | 138 | (74) |
| Net decrease in cash and cash equivalents | (2,133) | 65 |
| Cash and cash equivalents at beginning of year | 3,185 | 3,060 |
| Cash and cash equivalents at end of year | \$ 1,052 | \$ 3,125 |
| <i>Supplemental cash flow disclosures:</i> | | |
| Interest paid | \$ 47 | \$ 26 |
| <i>Non-cash investing activities:</i> | | |
| Capital expenditures financed through accounts payable and accrued expenses | \$ 11 | \$ 215 |

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
September 30, 2024 and 2023

1. Description of Business

TOR Minerals International, Inc. and Subsidiaries (“TOR”, “we”, “us”, “our”, or the “Company”), a Delaware Corporation, is engaged in a single industry, the manufacture and sale of mineral products for use as pigments and extenders, primarily in the manufacture of paints, industrial coatings plastics, and solid surface applications. The Company’s global headquarters are located in Corpus Christi, Texas (“TMI”). The Asian Operation, TOR Minerals Malaysia, Sdn. Bhd. (“TMM” or “Asian Operations”), is located in Ipoh, Malaysia, and the European Operation, TOR Processing and Trade, BV (“TPT” or “European Operations”), is located in Hattem, The Netherlands.

The individual who prepared both the financial statements and the notes to the audited, consolidated financial statements is Glenda Webb, TOR’s CFO. She holds a Masters in Accountancy and has been a CPA since 2008.

TOR’s authorized transfer agent is Computershare Limited. Their contact information is Computershare Investor Services, P.O. Box 43078, Providence, RI 02940-3078 at www.computershare.com or by phone at 1-800-564-6253.

Basis of Presentation and Use of Estimates: The consolidated financial statements include the accounts of TOR Minerals International, Inc. and its wholly-owned subsidiaries, TMM and TPT. All significant intercompany transactions and balances are eliminated in the consolidation process.

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, we evaluate our estimates, including those related to bad debt, inventories, income taxes, financing operations, contingencies and litigation. TOR bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments readily convertible to known cash amounts and with a maturity of six months or less at the date of purchase to be cash equivalents. The Company maintains cash balances at financial institutions in the U.S. which, at times, exceed federally insured amounts. For the nine months ended September 30, 2024 and 2023, the Company did not experience any such losses.

Allowance for Doubtful Accounts: The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. During 2023, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) *Financial Instruments-Credit Losses* (“ASC 326”) which did not have a material impact on the financial statements. The objectives of ASC 326 are to decrease the number of credit impairment models that entities use to account for debt instruments, eliminate the barrier to timely recognition of credit losses by using an expected loss model instead of an incurred loss model, require an entity to recognize an allowance of lifetime expected credit losses, and does not require a specific method for entities to use in estimating expected credit losses. The change in estimation methodology and the consideration of forward-looking information, such as economic conditions and industry trends, does not significantly affect the allowance amount. TOR’s historical loss rate and the current economic conditions indicate that the credit risk associated with its trade receivables remains relatively stable. As a result, the estimated credit losses under ASC 326 are not significantly different from the previous allowance estimation method. As of September 30, 2024 and December 31, 2023, the allowance for doubtful accounts was approximately \$57,000 and \$54,000, respectively.

Foreign Currency: Results of operations for the Company’s foreign operations, TMM and TPT, are translated from the designated functional currency to the U.S. Dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. Resulting gains or losses from translating foreign currency financial statements are reported as other comprehensive loss, net of income tax. The effect of changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated are recorded as foreign currency transaction gains (losses) in earnings.

TMM measures and records its transactions in terms of the local Malaysian currency, the Ringgit (“RM”), which is also TMM’s functional currency. As a result, gains and losses resulting from translating the balance sheet from RM to U.S. Dollars are recorded as cumulative translation adjustments (which are included in accumulated other comprehensive loss, a separate component of shareholders’ equity) on the consolidated balance sheets. As of September 30, 2024, the cumulative translation adjustment included on the consolidated balance sheets was a loss of approximately \$1,203,000. Year ending December 31, 2023, the cumulative translation adjustment included on the consolidated balance sheets was a loss of approximately \$1,986,000.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
September 30, 2024 and 2023

TPT's functional currency is the Euro. As a result, gains and losses resulting from translating the balance sheet from Euros to U.S. Dollars are recorded as cumulative translation adjustments on the consolidated balance sheets. As of September 30, 2024, the cumulative translation adjustment included on the consolidated balance sheets was income of approximately \$199,000. Year ending December 31, 2023, the cumulative translation adjustment included on the consolidated balance sheets was a gain of approximately \$166,000.

Inventory: We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the net realizable value based upon assumptions about future demand and market conditions. Based on our first quarter 2024 inventory analysis, no such write down was necessary.

Overhead is charged to inventory based on normal capacity and we expense abnormal amounts of idle facility expense, freight and handling costs in the period incurred. For the nine months ended September 30, 2024, the Company recorded an increase in the 2024 consolidated statement of operations as a component of Cost of sales of approximately \$546,000, primarily related to idle facility expense at TPT and TMM operations. For the nine months ended September 30, 2023, we recorded an increase in the 2023 consolidated statement of operations as a component of Cost of sales of approximately \$17,000, primarily related to idle facility expense primarily at the TPT and TMM operations.

Property, Plant and Equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of depreciable assets, which range from 3 to 39 years. Maintenance and repair costs are charged to operations as incurred and major improvements extending asset lives are capitalized.

Impairment of Long-Lived Assets: The impairment of long-lived assets is assessed when changes in circumstances (such as, but not limited to, a decrease in market value of an asset, current and historical operating losses or a change in business strategy) indicate that their carrying value may not be recoverable. This assessment is based on management's estimates of future undiscounted cash flows, salvage values or net sales proceeds. These estimates take into account management's expectations and judgments regarding future business and economic conditions, future market values and disposal costs. Actual results and events could differ significantly from management's estimates. Based upon our most recent analysis, management determined no assets were impaired. There can be no assurance that future impairment tests will not result in a charge to net earnings (loss).

Revenue Recognition: The Company follows FASB ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaborative arrangements and financial instruments. Under ASC 606, an entity recognizes revenue when it transfers control of the promised goods or services to its customer, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. If control transfers to the customer over time, an entity selects a method to measure progress that is consistent with the objective of depicting its performance.

In determining the appropriate amount of revenue to be recognized as the Company fulfills the obligations under its contracts with customers, the following steps must be performed at contract inception: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company satisfies its performance obligation as the products are delivered to its customers or common carrier at which point control is transferred to the customer. The Company invoices customers once the product has shipped and collection generally occurs within the payment terms agreed with customers. Accordingly, there is no financing component to the Company's arrangements with customers.

Shipping and Handling: The Company records shipping and handling costs, associated with the outbound freight on products shipped to customers, as a component of cost of sales.

Income Taxes: The Company records a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Deferred income taxes are recognized by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as net operating loss and tax credit carry-forwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
September 30, 2024 and 2023

measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which future realization is uncertain.

The Company did not recognize any tax benefits from uncertain tax positions within the provision for income taxes. The Company may recognize a tax benefit only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

In addition, the Company did not recognize any interest and penalties in the consolidated financial statements during the for the first nine months of 2024. If any interest or penalties related to any income tax liabilities are imposed in future reporting periods, the Company expects to record both of these items as components of income tax expense.

Share Based Compensation: The Company calculates share based compensation using the Black-Scholes-Merton (“Black-Scholes”) option-pricing model, which requires the input of subjective assumptions including the expected stock price volatility. For the nine months ended September 30, 2024 and 2023, we recorded approximately \$29,000 and \$208,000, respectively, in share-based employee compensation. This compensation cost is included in selling, general and administrative (“SG&A”) expenses in the accompanying Consolidated Statements of Operations.

Leases In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02 which created ASC Topic 842 *Leases*, to require balance sheet recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. In July 2018, the FASB issued ASU 2018-11, to provide another transition method in addition to the existing transition method, allowing entities to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Additionally, the FASB has issued other ASU’s to clarify application of the guidance in the original standard and to provide practical expedients for applying the standard, all of which are effective upon adoption. For non-public entities this standard was effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

The Company adopted the standard as of January 1, 2022. This standard requires the Company to recognize right-of-use (“ROU”) assets and lease liabilities on the balance sheet for identified property that is subject to operating lease agreements. The Company elected to adopt this standard by applying the additional transition method set forth in ASU 2018-11, whereby the Company implemented the provisions of the new standard to existing leases by recognizing and measuring lease assets and liabilities on the balance sheet as of January 1, 2022, as well as a cumulative-effect adjustment to the opening balances of accumulated deficit (if any). Consequently, the reporting of leases for the prior year continues to be provided in accordance with ASC Topic 840, which was effective during that period. The Company elected the package of practical expedients permitted under the transition guidance within ASC 842, which, among other things, allowed the carryforward of historical lease classification without the need to re-evaluate such classification pursuant to the provisions of ASC 842. Other practical expedencies used include (i) not reassessing initial direct cost, (ii) not reassessing existing contracts that may contain a lease, and (iii) not recognizing a lease asset or lease liability for leases with terms of twelve months or less.

The Company considers a contract to be a lease when the terms of the agreement indicate a right to control the use of an identified asset for a period of time in exchange for consideration. A right to control the use of an identified asset exists when the contract terms set forth the Company’s right to obtain substantially all of the economic benefits from use of the identified asset, or to direct its use throughout the contract period. The Company considers substantially all of the economic benefits to mean 90% or more of the utility of the identified asset.

The Company evaluates and classifies its leases as operating, financing or sales-type leases based on the criteria set forth in ASC 842 that considers whether a lease is economically similar to the purchase of a nonfinancial asset. The Company has adopted an accounting policy to define “substantially all” of the fair value of the underlying asset to mean 90% or greater and a “major part” of the remaining economic life to mean 75% or greater in performing its classification assessment. The Company excludes variable lease payments that are based on performance or use from the lease classification determination. The Company will include the exercise price of a purchase option when reasonable certainty exists that option will be exercised. The Company will also include termination penalties unless it is reasonably certain that any option to terminate the lease is not likely, and therefore will not incur the penalty. Lastly, the Company includes any residual value guarantees that are provided to lessors in the lease classification determination.

The Company recognizes a right-of-use asset based on the initial measurement amount of the lease liability, as discussed below, increased by any prepayments that are made to the lessor at or before the lease commencement date and any initial direct costs that are incurred, reduced by any incentive amounts received.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
September 30, 2024 and 2023

The Company recognizes lease liabilities based upon the discounted present value of the payment amounts expected to be made over the non-cancellable terms of the underlying leases. Variable lease payments that are based on performance or use are excluded in the measurement of the right of use (“ROU”) assets and liabilities. The exercise price of purchase options and termination penalties are included in the lease liability when reasonable certainty exists that these costs will be incurred.

The Company evaluates lease modifications as they occur and records such as a separate lease or an adjustment to the existing right-of-use asset and lease liability as appropriate.

2. Debt and Notes Payable

Long-term Debt – Financial Institutions

Below is a summary of our long-term debt to financial institutions as of September 30, 2024 and December 31, 2023:

| (In thousands) | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Fixed rate Euro term note payable to Rabobank, with an interest rate of 7.3% at September 30, 2024, due August 31, 2027, secured by TPT's land and buildings. Monthly principal payments are €1,616 (\$1,809) at September 30, 2024 and a Euro balance of €55k. | \$ 62 | \$ 77 |
| Fixed rate Euro term note payable to Rabobank, with an interest rate of 4.85% at September 30, 2024, due May 31, 2029, secured by TPT's land and buildings. Monthly principal payments are €1,566 (\$1,753) at September 30, 2024 and a Euro balance of €86k. | 96 | 111 |
| Fixed rate Euro term note payable to Rabobank, with an interest rate of 2.2% at September 30, 2024. The loan is due July 31, 2026 and is secured by TPT's land and buildings. Monthly principal payments are €3,333 (\$9,330) at September 30, 2024 and a Euro balance of €175k. | 196 | 276 |
| Total | \$ 354 | \$ 464 |
| Less current maturities | 154 | 153 |
| Total long-term debt - financial institutions | \$ 200 | \$ 311 |

Short term Debt

European Operations

On July 13, 2015, TPT entered into an amended perpetual short-term banking facility (the “TPT Amended Agreement”) with Rabobank. Under the terms of the TPT Amended Agreement, the TPT line of credit (the “TPT Line”) is €500,000 (\$559,900 at 09/30/2024) and interest was the average 1-month EURIBOR plus the bank margin of 3.3%. At September 30, 2024, the interest rate was 6.337% and TPT had €182,000 (\$204,000 at 09/30/24) out on the TPT Line.

On March 31, 2023, Rabobank notified TPT of a new covenant, effective January 1, 2024 against all debt facilities held at Rabobank. The covenant requires for TPT to exceed an earnings before income tax, depreciation, and amortization threshold of €500k on a stand-alone production basis, excluding all corporate income and expense. Should the covenant not be met, the facility would be due upon demand.

Asian Operations

On September 22, 2020, TMM entered into an amended short-term banking facility with HSBC to extend the maturity date from 30, 2020 to June 30, 2021 with the ability to further extend each year, if approved. Current maturity of the agreement is June 30, 2025. The HSBC facility includes the following in RM: (1) overdraft of RM 200,000 (\$48,500 at 09/30/2024); (2) an import line of RM 4,500,000 (\$1,090,800 at 09/30/2024). At September 30, 2024, TMM did not have a balance on the HSBC short-term banking facility.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
September 30, 2024 and 2023

On August 19, 2021, TMM amended its short-term banking facility with RHB Bank Berhad (“RHB”) to extend the maturity date from August 31, 2021 to August 31, 2022, and further renewed annually with a current maturity of August 31, 2025. The RHB facility, as amended, includes the following in RM. (1) multi-trade line of RM 6,750,000 (\$1,636,000 at 09/30/2024); (2) a bank guarantee of RM 250,000 (\$60,600 at 09/30/2024); and (3) the foreign exchange contract line of RM 2,000,000 (\$484,800 at 09/30/2024). At September 30, 2024, TMM had RM 2,288,300 (\$581,600 at 09/30/2024) outstanding balance on the RHB short-term banking facility.

The banking facilities with both HSBC and RHB bear an interest rate on the respective overdraft facilities at 1.25% over bank prime, and the respective ECR facilities bear interest at 1.0% above the funding rate stipulated by the Export-Import Bank of Malaysia Berhad. The ECR facilities, which are a government supported financing arrangement specifically for exporters, are used by TMM for short-term financing of up to 180 days against customers’ and inter-company shipments.

The borrowings under both the HSBC and the RHB short-term credit facility are subject to certain subjective acceleration covenants based on the judgment of the banks and a demand provision that provides that the banks may demand repayment at any time. A demand provision is customary in Malaysia for such facilities. The loan agreements are secured by TMM’s property, plant and equipment. However, if demand is made by HSBC or RHB, we may be unable to refinance the demanded indebtedness, in which case, the lenders could foreclose on the assets of TMM. While repatriation is allowed in the form of dividends, the credit facilities prohibit TMM from paying dividends, and the HSBC facility further prohibits loans to related parties without the prior consent of HSBC.

The Company was in compliance with all financial and non-financial covenants at HSBC and RHB as of September 30, 2024.

3. Fair Value Measurements

Fair value measurements consist of the following three levels:

Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).

Level 2 inputs: Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 inputs: Level 3 inputs are unobservable inputs (e. g., a company’s own data) for the asset or liability and should be used to measure fair value to the extent that relevant observable inputs are not available.

The fair value of the Company’s debt is based on estimates using standard pricing models and Level 2 inputs, including the Company’s estimated borrowing rate, that take into account the present value of future cash flows as of the consolidated balance sheet date. The computation of the fair value of these instruments is performed by the Company. The carrying amounts and estimated fair values of the Company’s long-term debt outstanding at Rabobank, including current maturities, are summarized below:

| (In Thousands) | September 30, 2024 | | September 30, 2023 | |
|---|--------------------|------------|--------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term debt, including current portion | \$ 354 | \$ 324 | \$ 481 | \$ 448 |

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, investments, trade receivables, accounts payable and accrued expenses, accrued income taxes and short-term borrowings approximate fair values due to the short-term nature of these instruments.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
September 30, 2024 and 2023

4. Inventories

A summary of inventories follows:

| (In thousands) | September 30, | | December 31, | |
|-------------------|----------------------|-------|---------------------|-------|
| | 2024 | | 2023 | |
| Raw materials | \$ | 2,428 | \$ | 1,671 |
| Work in progress | | 1,205 | | 996 |
| Finished goods | | 3,504 | | 4,684 |
| Supplies | | 842 | | 842 |
| Total Inventories | | 7,979 | | 8,193 |
| Inventory reserve | | (390) | | (352) |
| Net Inventories | \$ | 7,589 | \$ | 7,841 |

5. Property, Plant and Equipment

Major classifications and expected lives of property, plant and equipment are summarized below:

| (In thousands) | Expected Life | September 30, | | December 31, | |
|------------------------------------|----------------------|----------------------|----------|---------------------|----------|
| | | 2024 | | 2023 | |
| Land | -- | \$ | 266 | \$ | 255 |
| Office buildings | 39 years | | 3,919 | | 3,859 |
| Production facilities | 10 - 20 years | | 2,333 | | 2,196 |
| Machinery and equipment | 3 - 15 years | | 22,858 | | 21,546 |
| Furniture and fixtures | 3 - 20 years | | 1,444 | | 1,358 |
| Total | | | 30,820 | | 29,214 |
| Less accumulated depreciation | | | (22,849) | | (21,116) |
| Property, plant and equipment, net | | | 7,971 | | 8,098 |
| Construction in progress | | | 100 | | 63 |
| | | \$ | 8,071 | \$ | 8,161 |

All property, plant and equipment is depreciated using the straight-line method over the estimated useful lives of depreciable assets.

The amounts of depreciation expense recorded on the Company's property, plant and equipment for the nine months ended September 30, 2024 and 2023 was approximately \$1,120,000 and \$1,152,000, respectively.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
September 30, 2024 and 2023

6. Leases

As of the nine months ended September 30, 2024 and 2023, there were the following costs associated with operating and finance leases:

| (in thousands) | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2024 | 2023 |
| Operating lease cost: | | |
| Fixed Rent expense | \$ 45 | \$ 41 |
| Finance lease cost: | | |
| Amortization of ROU assets | 13 | 36 |
| Interest expense | 0 | 1 |
| Net lease cost | \$ 58 | \$ 78 |
| Lease cost - SG&A | | |
| Lease cost - Depreciation and amortization | 13 | 36 |
| Lease cost - Interest expense | 0 | 1 |
| Net lease cost | \$ 58 | \$ 78 |

The future payments due under operating and finance leases as of September 30, 2024 are as follows:

| (in thousands) | <u>Operating</u> | <u>Finance</u> |
|-------------------------------|-------------------------|-----------------------|
| October 2024 – September 2025 | \$ 2 | \$ 6 |
| Lease liabilities recognized | \$ 2 | \$ 6 |

As of September 30, 2024, the weighted average remaining lease term for the operating leases was .92 years, while the weighted average remaining lease term for the finance leases was .83 years.

Because we generally do not have access to the rate implicit in the lease, we utilize the Company's previous year cost of debt as the discount rate for new leases. The weighted average discount rate associated with operating leases as of September 30, 2024 was 4%, while the weighted average discount rate associated with finance leases was 7%.