



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

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

**AS OF AND FOR THE SIX MONTHS ENDED
JUNE 30, 2025 AND 2024**

TOR MINERALS INTERNATIONAL, INC. AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2025	2024
NET SALES	\$ 11,627	\$ 11,761
Cost of sales	10,340	11,324
GROSS MARGIN	1,287	437
Technical services and research and development	7	79
Selling, general and administrative expenses	1,755	1,773
OPERATING LOSS	(475)	(1,415)
OTHER (EXPENSE) INCOME:		
Interest (expense) income, net	(6)	(2)
Gain (loss) on foreign currency exchange rate	194	(57)
Other income, net	19	-
Total Other (Expense) Income	207	(59)
Loss before provision for income taxes	(268)	(1,474)
Income tax expense	-	1
NET LOSS	\$ (268)	\$ (1,475)
<i>Loss per common share:</i>		
Basic and Diluted	\$ (0.08)	\$ (0.42)
Diluted	\$ (0.08)	\$ (0.42)
<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>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 938	\$ 672
Investment – short-term	500	750
Trade accounts receivable, net	3,226	2,773
Inventories	6,794	7,407
Other current assets	1,042	756
Total current assets	12,500	12,358
PROPERTY, PLANT AND EQUIPMENT, net	7,649	7,355
OTHER ASSETS:		
Operating lease right-of-use assets	167	199
Other asset - miscellaneous	2	2
Total other assets	169	201
Total Assets	\$ 20,318	\$ 19,914
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,803	\$ 1,860
Accrued expenses	754	1,021
Notes payable under lines of credit	586	541
Current maturities - financed lease liability	1	4
Current maturities - operating lease liability	27	59
Current maturities of long-term debt – financial institutions	249	294
Total current liabilities	3,420	3,779
LONG-TERM LIABILITIES:		
Long-term debt - operating lease liability, net of current	141	140
Other long term liability, net of current	61	75
Total liabilities	3,622	3,994
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock \$1.25 par value: authorized, 6,000 shares; 3,542 shares issued and outstanding at June 30, 2025 & December 31, 2024	4,427	4,427
Additional paid-in capital	31,459	31,251
Accumulated deficit	(18,180)	(17,911)
Accumulated other comprehensive loss	(1,010)	(1,847)
Total shareholders' equity	16,696	15,920
Total Liabilities and Shareholders' Equity	\$ 20,318	\$ 19,914

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
Six months ended June 30, 2025 and 2024
(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, 2024	3,542	\$ 4,427	\$ 31,222	\$ (15,303)	\$ (1,820)	\$ 18,526
Share-based compensation	-	-	29	-	-	29
Net loss	-	-	-	(1,475)	-	(1,475)
Cumulative Translation Adjustment	-	-	-	-	(317)	(317)
Balance at June 30, 2024	3,542	\$ 4,427	\$ 31,251	\$ (16,778)	\$ (2,137)	\$ 16,763
Balance at January 1, 2025	3,542	\$ 4,427	\$ 31,251	\$ (17,911)	\$ (1,847)	\$ 15,920
Share-based compensation	-	-	208	-	-	208
Net loss	-	-	-	(268)	-	(268)
Cumulative Translation Adjustment	-	-	-	(1)	837	836
Balance at June 30, 2025	3,542	\$ 4,427	\$ 31,459	\$ (18,180)	\$ (1,010)	\$ 16,696

See accompanying notes to the consolidated financial statements.

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

	Six Months Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (268)	\$ (1,475)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	661	756
Gain on disposal of assets	(20)	-
Share-based compensation	208	29
Provision of bad debt	6	4
Changes in working capital:		
Trade accounts receivable	(350)	(648)
Inventories	976	278
Other current assets	(211)	(88)
Right-of-use operating leases	(32)	(38)
Accounts payable and accrued expenses	(576)	(595)
Net cash provided by (used in) operating activities	394	(1,777)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(181)	(504)
Proceeds from sales of property, plant, and equipment	20	-
Maturity (Purchase) of short-term investments	250	(975)
Net cash provided by (used in) investing activities	89	(1,479)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	-	865
Payments on lines of credit	(4)	-
Payments on financed leases	(4)	(11)
Payments on long-term bank debt	(81)	(74)
Net cash (used in) provided by financing activities	(89)	780
Effect of foreign currency exchange rate fluctuations on cash and cash equivalents	(128)	34
Net increase (decrease) in cash and cash equivalents	266	(2,442)
Cash and cash equivalents at beginning of year	672	3,185
Cash and cash equivalents at end of year	\$ 938	\$ 743
<i>Supplemental cash flow disclosures:</i>		
Interest paid	\$ 22	\$ 7
<i>Non-cash investing activities:</i>		
Capital expenditures financed through accounts payable and accrued expenses	\$ 11	\$ 31

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
June 30, 2025 and 2024

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 Chief Financial Officer. She holds a Masters in Accountancy and has been a CPA since 2010.

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 six months ended June 30, 2025 and 2024, the Company did not experience any such losses.

Short-term Investment: The Company holds several short-term investments with American Bank, a privately held bank, which has a 5 star rating with Bauer Financial. The credit risk related to the unsettled transactions are considered small due to the short settlement periods involved and the high credit quality of the financial institution used. As of June 30, 2025, the short-term investments included on the consolidated balance sheets was \$500,000. There is one four-month certificate of deposit investment, for \$250,000, with maturity date of September 4, 2025, with an annual interest rate of 4.25% and a four-month certificate of deposit investment for \$250,000, which matures on July 5, 2025, with an annual interest rate of 4.00%. Each investment has an early withdrawal penalty clause stating that a fee equal to 30 days of interest can be imposed if the Company wanted to withdraw any or all of the principal before the maturity date. If the investment has earned less than 30 days of interest the early withdrawal penalty may reduce the principal amount.

Allowance for Doubtful Accounts: The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The Company follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) *Financial Instruments-Credit Losses* (“ASC 326”). 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. The estimated credit losses under ASC 326 as of June 30, 2025 and December 31, 2024, were approximately \$59,000 and \$48,000, 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

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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 June 30, 2025, the cumulative translation adjustment included on the consolidated balance sheets was a loss of approximately \$1,361,000. Year ending December 31, 2024, the cumulative translation adjustment included on the consolidated balance sheets was a loss of approximately \$1,799,000.

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 June 30, 2025, the cumulative translation adjustment included on the consolidated balance sheets was gain of approximately \$351,000. Year ending December 31, 2024, the cumulative translation adjustment included on the consolidated balance sheets was a loss of approximately \$48,000.

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 2025 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 six months ended June 30, 2025, the Company recorded an increase in the 2025 consolidated statement of operations as a component of Cost of sales of approximately \$194,000, primarily related to idle facility expense at TPT and TMM operations. For the six months ended June 30, 2024, we recorded an increase in the 2024 consolidated statement of operations as a component of Cost of sales of approximately \$471,000, 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

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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 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 years ended December 31, 2024 and 2023. 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 six months ended June 30, 2025 and 2024, we recorded approximately \$208,000 and \$29,000, 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 The company follows FASB ASC 842, *Leases*. The Company elected practical expedients that include the following: (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.

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.

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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.

For the six-months ended June 30, 2025 and 2024, the Company recognized a right-of-use lease asset of approximately \$36,000 and \$44,000, respectively, which includes both operating leases and finance type leases, reported for approximately \$4,000, in plant, property, and equipment, net on the consolidated balance sheet. For the six-months ended June 30, 2025 and December 31, 2024 the corresponding liability of approximately \$168,000 and \$199,000, respectively, are reported on the balance sheet related to operating leases. See further discussion of leases in Note 5.

2. Debt and Notes Payable

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 (\$541,050 at 03/31/2025) and interest was the average 1-month EURIBOR plus the bank margin of 3.3%. At June 30, 2025, the interest rate was 6.524% and TPT had approximately €167,000 (\$196,000 at 06/30/2025) outstanding on the TPT Line.

On June 30, 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 €500,000 on a stand-alone production basis, excluding all corporate income and expense.

The Rabobank covenant was not met for the year ending December 31, 2024 and the bank has established a less than one year payment plan to end the financing relationship with TPT. The €500,000 TPT Line will be reduced by €100,000 on August 1, 2025 and every month thereafter an additional €100,000 reduction in the TPT Line will occur up to December 1, 2025 when the TPT Line will have a €0 available credit, and be closed out. The three term notes payable will continue regular scheduled payments through November 30, 2025 and then will need to be paid in full by December 31, 2025. As a result, all outstanding facilities with Rabobank are classified as current on the accompanying balance sheet.

Below is a summary of the short-term term loan debt to financial institutions as of June 30, 2025 and December 31, 2024:

(In thousands)	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Fixed rate Euro term note payable to Rabobank, with an interest rate of 7.35% until August 1, 2025. The loan is due December 31, 2025, secured by TPT's land and buildings. Monthly principal payments are €1,616 (\$1,895) at June 30, 2025 and a Euro balance of €41k.	\$ 48	\$ 53
Variable rate Euro term note payable to Rabobank, with a yearly variable interest rate of 4.45% until December 2025. The loan is due December 31, 2025, secured by TPT's land and buildings. Monthly principal payments are €1,566 (\$1,695) at June 30, 2025 and a Euro balance of €72k.	85	85
Fixed rate Euro term note payable to Rabobank, with an interest rate of 2.2% until August 1, 2025. The loan is due December 31, 2025 and is secured by TPT's land and buildings. Monthly principal payments are €8,333 (\$9,770) at June 30, 2025 and a Euro balance of €100k.	117	156
Total	\$ 250	\$ 294
Less current maturities	250	294
Total long-term debt - financial institutions	\$ -	\$ -

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Asian Operations

On September 22, 2020, TMM entered into an amended short-term banking facility with HSBC to extend the maturity date from June 30, 2020 to June 30, 2021 with the ability to further extend each year, if approved. Current maturity of the agreement is June 30, 2026. The HSBC facility includes the following in RM: (1) overdraft and bank guarantee each of RM 500,000 (\$118,650 at 06/30/2025); (2) an import line of RM 4,500,000 (\$1,067,850 at 06/30/2025); and (3) an export (“ECR”) line of RM 2,000,000 (\$474,600 at 06/30/2025). At June 30, 2025, TMM had RM 1,643,431 (\$389,993 at 06/30/2025) outstanding balance on the HSBC short-term banking facility.

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 extended to August 31, 2025. The RHB facility, as amended, includes the following in RM. (1) multi-trade line of RM 6,750,000 (\$1,601,775 at 06/30/2025); (2) a bank guarantee of RM 250,000 (\$59,325 at 06/30/2025); and (3) the foreign exchange contract line of RM 2,000,000 (\$474,600 at 06/30/2025). At June 30, 2025, TMM had no 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 June 30, 2025.

3. Inventories

A summary of inventories follows:

(In thousands)	June 30,	December 31,
	2025	2024
Raw materials	\$ 1,900	\$ 1,559
Work in progress	1,094	1,383
Finished goods	3,307	4,096
Supplies	881	734
Total Inventories	7,182	7,772
Inventory reserve	(388)	(365)
Net Inventories	\$ 6,794	\$ 7,407

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4. Property, Plant and Equipment

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

(In thousands)	Expected Life	June 30, 2025	December 31, 2024
Land	--	\$ 273	\$ 247
Office buildings	39 years	4,117	3,662
Production facilities	10 - 20 years	2,506	2,221
Machinery and equipment	3 - 15 years	23,979	21,400
Furniture and fixtures	3 - 20 years	1,495	1,365
Total		32,370	28,895
Less accumulated depreciation		(24,735)	(21,592)
Property, plant and equipment, net		7,635	7,303
Construction in progress		14	52
		<u>\$ 7,649</u>	<u>\$ 7,355</u>

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 six months ended June 30, 2025 and 2024 was approximately \$661,000 and \$756,000, respectively.

5. Leases

As of the three months ended June 30, 2025 and 2024, there were the following costs associated with operating and finance leases:

(In thousands)	June 30, 2025	June 30, 2024
Operating lease cost:		
Fixed rent expense	\$ 32	\$ 32
Finance lease cost:		
Amortization of ROU assets	4	12
Interest expense	-	-
Net lease cost	<u>\$ 36</u>	<u>\$ 44</u>
Lease cost - SG&A	\$ 32	\$ 32
Lease cost - Depreciation and amortization	4	12
Lease cost - Interest expense	-	-
Net lease cost	<u>\$ 36</u>	<u>\$ 44</u>

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The future payments due under operating and finance leases as of June 30, 2025 are as follows:

(in thousands)	Operating	Finance
July 2025 – June 2026	\$ 70	\$ 1
July 2026 – June 2027	70	-
July 2027 – June 2028	<u>35</u>	<u>-</u>
	\$ 175	\$ 1
Less effects of discounting	<u>(7)</u>	<u>-</u>
Lease liabilities recognized	<u>\$ 168</u>	<u>\$ 1</u>

As of June 30, 2025, the weighted average remaining lease term for the operating leases was 2.43 years, while the weighted average remaining lease term for the finance leases was .08 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 June 30, 2025 was 4.0%, while the weighted average discount rate associated with finance leases was 7%.