



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

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

**AS OF AND FOR THE THREE MONTHS ENDED
MARCH 31, 2026 AND 2025**

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)

	Three Months Ended March 31,	
	2026	2025
NET SALES	\$ 5,925	\$ 5,781
Cost of sales	4,922	5,101
GROSS MARGIN	1,003	680
Technical services and research and development	5	2
Selling, general and administrative expenses	764	982
OPERATING INCOME (LOSS)	234	(304)
OTHER (EXPENSE) INCOME:		
Interest expense, net	(6)	(2)
(Loss) gain on foreign currency exchange rate	(71)	89
Other income, net	-	19
Total Other (Expense) Income	(77)	106
Income (loss) before provision for income taxes	157	(198)
Income tax expense	-	-
NET INCOME (LOSS)	\$ 157	\$ (198)
<i>Loss per common share:</i>		
Basic and Diluted	\$ 0.04	\$ (0.06)
Diluted	\$ 0.04	\$ (0.06)
<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, Unaudited)

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,953	\$ 2,301
Short-term investment	500	500
Trade accounts receivable, net	3,073	2,510
Inventories, net	7,498	7,773
Other current assets	458	241
Total current assets	13,482	13,325
PROPERTY, PLANT AND EQUIPMENT, net	6,824	7,154
OTHER ASSETS:		
Operating lease right-of-use assets	118	135
Other asset - miscellaneous	2	2
Total other assets	120	137
Total Assets	\$ 20,426	\$ 20,616
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,160	\$ 2,196
Accrued expenses	766	819
Notes payable under lines of credit	40	167
Current maturities - operating lease liability	68	67
Current maturities of long-term debt – private trust, net of deferred	115	113
Total current liabilities	3,149	3,362
LONG-TERM LIABILITIES:		
Long-term debt - operating lease liability, net of current	50	68
Long-term debt – private trust, net of current and deferred	838	877
Other long term liability, net of current	24	37
Total liabilities	4,061	4,344
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Common stock \$1.25 par value: authorized, 6,000 shares; 3,542 shares issued and outstanding at December 31, 2026 and 2025	4,427	4,427
Additional paid-in capital	31,466	31,461
Accumulated deficit	(18,743)	(18,900)
Accumulated other comprehensive loss	(785)	(716)
Total shareholders' equity	16,365	16,272
Total Liabilities and Shareholders' Equity	\$ 20,426	\$ 20,616

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
Three months ended March 31, 2026 and 2025
(In thousands, Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at January 1, 2025	3,542	\$ 4,427	\$ 31,251	\$ (17,911)	\$ (1,847)	\$ 15,920
Share-based compensation	-	-	163	-	-	163
Net loss	-	-	-	(198)	-	(198)
Cumulative Translation Adjustment	-	-	-	(1)	182	181
Balance at March 31, 2025	3,542	\$ 4,427	\$ 31,414	\$ (18,110)	\$ (1,665)	\$ 16,066
Balance at January 1, 2026	3,542	\$ 4,427	\$ 31,461	\$ (18,900)	\$ (716)	\$ 16,272
Share-based compensation	-	-	5	-	-	5
Net Income	-	-	-	157	-	157
Cumulative Translation Adjustment	-	-	-	-	(69)	(69)
Balance at March 31, 2026	3,542	\$ 4,427	\$ 31,466	\$ (18,743)	\$ (785)	\$ 16,365

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended March 31,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (loss)	\$ 157	\$ (198)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	339	333
Share-based compensation	5	163
Provision of bad debt	7	6
Changes in working capital:		
Trade accounts receivable	(584)	(231)
Inventories	245	693
Other current assets	(218)	(112)
Right-of-use operating leases		(16)
Accounts payable and accrued expenses	(107)	(313)
Net cash (used in) provided by operating activities	(156)	325
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(81)	(45)
Purchase of short-term investments	-	250
Net cash (used in) provided by investing activities	(81)	205
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	(124)	(178)
Payments on financed leases	-	(2)
Payments on long-term bank debt	-	(37)
Payments on long-term trust debt	(15)	-
Net cash used in financing activities	(139)	(217)
Effect of foreign currency exchange rate fluctuations on cash and cash equivalents	28	(72)
Net decrease in cash and cash equivalents	(348)	241
Cash and cash equivalents at beginning of year	2,301	672
Cash and cash equivalents at end of year	\$ 1,953	\$ 913
<i>Supplemental cash flow disclosures:</i>		
Interest paid	\$ 20	\$ 10
<i>Non-cash investing activities:</i>		
Capital expenditures financed through accounts payable and accrued expenses	\$ 44	\$ 1

See accompanying notes to the consolidated financial statements.

TOR Minerals International, Inc.
Notes to the unaudited Consolidated Financial Statements
March 31, 2026 and 2025

1. Description of Business

TOR Minerals International, Inc. and Subsidiaries (“TOR”, “we”, “us”, “our”, or the “Company”), a Delaware Corporation, is engaged in multiple industries, including the manufacture and sale of specialty mineral and pigment solutions for industrial applications, such as in the plastics, coatings, and advanced materials sectors. The Company is increasingly focused on next-generation applications, supplying engineered minerals and additives that support performance, safety, and efficiency in emerging technologies such as lithium-ion and other advanced battery systems. 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 twelve months or less at the date of purchase to be cash equivalents. The Company maintains cash balances and investments at financial institutions in the U.S. which, at times, exceed federally insured amounts. For the three months ended March 31, 2026, the Company did not experience any such losses in the U.S. accounts. The Company also maintains cash balances in foreign countries, such as the Netherlands and Malaysia, to support the activities of the subsidiaries. Such foreign accounts may be subject to local banking regulations and insurance schemes, however, the Company has not experienced any losses related to these accounts for the three months ended March 31, 2026.

Short-term Investment: The Company holds several short-term investments with American Bank, a privately held bank, which has a 3 star rating with Bauer Financial. The credit risk related to the unsettled transactions are considered small due to the short settlement periods. As of March 31, 2026, the short-term investments included on the consolidated balance sheets totaled \$500,000, and accrued interest of approximately \$2,995. There is one four-month certificate of deposit investment, for \$250,000, six-month certificate of deposit at an annual interest rate of 3.75% which matures on July 30, 2026. There is a one year certificate of deposit investment for \$250,000, which matures on October 7, 2026, with an annual interest rate of 3.25%. The one-year certificate of deposit is held as guarantee for a short-term line of credit facility at American Bank. 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 Credit Losses: 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

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credit losses under ASC 326 are not significantly different from the previous allowance estimation method. As of March 31, 2026 and December 31, 2025, the allowance for doubtful accounts was approximately \$59,000 and \$53,000, 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 income (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 March 31, 2026, the cumulative translation adjustment included on the consolidated balance sheets was a loss of approximately \$1,056,000. Year ended December 31, 2025, the cumulative translation adjustment included on the consolidated balance sheets was a loss of approximately \$1,075,000.

TPT measures and records its transactions in terms of the European Union currency, the Euro, which is also TPT's functional currency. 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 March 31, 2026, the cumulative translation adjustment included on the consolidated balance sheets was income of approximately \$271,000. Year ended December 31, 2025, the cumulative translation adjustment included on the consolidated balance sheets was income of approximately \$359,000.

Inventory: Inventory is recorded at the lower of cost or market, where cost is determined using the weighted-average method and market represents the net realizable value. 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 inventory analysis, no write down was made in the three months ended March 31, 2026 and 2025.

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 three months ended March 31, 2026, the Company recorded a decrease in the 2026 consolidated statement of operations as a component of Cost of sales of approximately \$262,000, primarily related to the above normal production at TPT and TMM operations. For the three months ended March 31, 2025, the Company recorded an increase in the 2025 consolidated statement of operations as a component of Cost of sales of approximately \$137,000, primarily related to idle facility expense primarily at 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.

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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 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 three months ended March 31, 2026 and 2025. 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 three months ended March 31, 2026 and 2025, we recorded approximately \$5,000 and \$163,000, 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

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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.

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 three months ended March 31, 2026 and 2025, the Company recognized a right-of-use lease asset of approximately \$118,000 and \$183,000, respectively, which included only operating leases in 2026 and operating and finance type leases for 2025. Finance leases reported for approximately \$4,000, for the three months ended March 31, 2025, in plant, property, and equipment, net on the consolidated balance sheet. For the three months ended March 31, 2026 and 2025 the corresponding liability of approximately \$118,000 and \$183,000, respectively, are reported on the balance sheet related to operating leases. See further discussion of leases in Note 5.

2. Debt and Notes Payable

Long-term Debt

European Operations

On December 1, 2025, TPT entered into a loan agreement with the Douglas MacDonald Hartman Family Irrevocable Trust, for \$1,000,000 with a term of 60 months at a stated interest rate of 7%, effective interest rate of 7.63%, with a fixed monthly payment of \$15,092.68 and a final principal payment of \$337,907 due on December 1, 2030. The loan agreement included a \$10,000 origination fee payable upon signing which will be amortized over the life of the loan. The agreement establishes the first right of mortgage on all real estate registered in the name of TPT and pledges all machinery, equipment and inventory as collateral.

Short-term Debt

European Operations

On October 15, 2025, TPT entered into short-term banking facilities with American Bank for \$500,000. The banking facility is represented by two revolving lines of credit, each for \$250,000. The first line of credit is a one year facility with a fixed 5.25% interest rate per annum, guaranteed by a \$250,000 certificate of deposit. At March 31, 2026 there was \$250,000 available on the first line and at December 31, 2025 there was \$103,000 available on the first line of credit. The second line of credit is a one year facility with a variable interest rate set by the prime rate (“reference rate”) reported in the Wall Street Journal. The reference rate, subject to change, shall never be less than 5.5% per annum, and shall never exceed the lesser of: (i) the maximum legal rate which may be lawfully contracted for, charged or received hereon from time to time under applicable law; or (ii) 17.5% per annum. The second line of credit is guaranteed by a personal guaranty from Mr. Douglas M. Hartman, Chairman of the TOR Board of Directors. At March 31, 2026 and at December 31, 2025 there was no outstanding balance on the second line of credit, and the full \$250,000 was available.

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Below is a summary of the TPT short-term debt to financial institutions as of March 31, 2026 and December 31, 2025:

(In thousands)	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
Fixed rate line of credit for \$250,000 payable to American Bank, with an October 15, 2026 maturity and a stated and effective interest rate of 5.25% at March 31, 2026 and at December 31, 2025.	-	147
Total short-term debt - financial institutions	\$ -	\$ 147

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 (\$123,500 at 03/31/2026); (2) an import line of RM 4,500,000 (\$1,111,500 at 03/31/2026); and (3) an export (“ECR”) line of RM 2,000,000 (\$494,000 at 03/31/2026). At March 31, 2026, TMM had approximately RM 80,980 (\$20,000 at 03/31/26) outstanding on the HSBC multi-trade 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, 2026. The RHB facility, as amended, includes the following in RM: (1) multi-trade line of RM 6,750,000 (\$1,667,250 at 03/31/2026); (2) a bank guarantee of RM 250,000 (\$61,750 at 03/31/2026); and (3) the foreign exchange contract line of RM 2,000,000 (\$494,000 at 03/31/2026). At March 31, 2026, TMM had approximately RM 80,980 (\$20,000 at 03/31/26) outstanding on the RHB multi-trade 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, and as a result, all facilities with HSBC and RHB are classified as current liabilities. 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.

TMM was in compliance with all financial and non-financial covenants at HSBC and RHB as of March 31, 2026.

3. Inventories

A summary of inventories follows:

(In thousands)	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
Raw materials	\$ 2,530	\$ 1,246
Work in progress	1,469	1,472
Finished goods	2,998	4,023
Supplies	903	1,434
Total Inventories	7,900	8,175
Inventory reserve	(402)	(402)
Net Inventories	\$ 7,498	\$ 7,773

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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	March 31, 2026	December 31, 2025
Land	--	\$ 273	\$ 276
Office buildings	39 years	4,041	4,129
Production facilities	10 - 20 years	2,613	2,602
Machinery and equipment	3 - 15 years	23,813	24,212
Furniture and fixtures	3 - 20 years	1,494	1,508
Total		32,234	32,727
Less accumulated depreciation		(25,470)	(25,591)
Property, plant and equipment, net		6,764	7,136
Construction in progress		60	18
		\$ 6,824	\$ 7,154

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 three months ended March 31, 2026 and 2025 was approximately \$339,000 and \$333,000, respectively.

5. Leases

As of the three months ended March 31, 2026 and 2025, there were the following costs associated with operating and finance leases:

(In thousands)	March 31, 2026	March 31, 2025
Operating lease cost:		
Fixed rent expense	\$ 16	\$ 16
Finance lease cost:		
Amortization of ROU assets	-	4
Interest expense	-	-
Net lease cost	\$ 16	\$ 20
Lease cost - SG&A	\$ 16	\$ 16
Lease cost - Depreciation and amortization	-	4
Lease cost - Interest expense	-	-
Net lease cost	\$ 16	\$ 20

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The future payments due under operating and finance leases as of March 31, 2026 are as follows:

(in thousands)	<u>Operating</u>
April 2026 – March 2027	\$ 70
April 2027 – March 2028	53
	\$ 123
Less effects of discounting	(5)
Lease liabilities recognized	\$ 118

As of March 31, 2026, the weighted average remaining lease term for the operating leases was 1.75 years, and no finance lease liability outstanding for the three months ended March 2026.

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 March 31, 2026 was 4.0%.