



10 March 2020

Iofina plc  
("Iofina", the "Group", or the "Company")  
(LSE AIM: IOF)

**BOARD RESPONSE TO THE RECENT GM REQUEST  
by Rene Nominees (IOM) Limited A/C POOLED**

**Board unanimously recommends voting against proposed resolutions**

**Record year of production, sales and earnings growth – Iofina in strongest position ever**

**Board believes requisition is a reaction to decision not to proceed with Belize operation**

**1. Introduction**

On 9 March 2020, the Board received notice that, pursuant to section 303 of the Companies Act 2006, Rene Nominees (IOM) Limited A/C POOLED (the "Requisitioner") on behalf of beneficial owners, Southern Rock Insurance Company Limited and ICS Risk Solutions Limited, accompanied by a statement from Arron Banks (being an ultimate beneficial owner of the said beneficial owners) wished to exercise its right to requisition a general meeting ("GM") of the Company's shareholders, proposing resolutions to remove Mr. Lance Baller as a Director of the Company and to appoint Mr. Arron Banks as a Director of the Company (the "Proposed Resolutions"). This notice, and the statement from Mr. Banks comprised within the notice, differs from two previous versions of the statement which were previously released on 2 and 3 March 2020 via the Twitter account of a close business associate of Mr. Banks, Mr. Andrew Wigmore, and which have subsequently been deleted.

The Company has until 30 March 2020 to call the GM and will do so in due course. In the meantime, the Board's response to the requisition and accompanying statement is set out below.

Text of the statement can be found in the Appendix

**2. The Board's response**

The Board was surprised by the requisition for the GM given that Mr. Banks, being an ultimate beneficial owner of the Requisitioner, has been such a long-standing supporter of the Company. It feels that the statements made by him are inherently flawed and a reaction to the Board's decision not to proceed with a hemp project in Belize, in which he was associated with.

The Board is categorically opposed to the Proposed Resolutions and believes they are not made in the best interests of the wider shareholders, but are in fact self-serving to Mr. Banks and his business associates.

The Board unanimously and strongly recommends that Shareholders **VOTE AGAINST** the Proposed Resolutions for the following reasons:

- The current Board, including Mr. Baller, has delivered excellent Company performance and is on track to deliver further record production and earnings growth in 2020
- Key claims made by Mr. Banks, both in his current statement and previous statements released on social media by Mr. Wigmore, are inaccurate and inconsistent
- The Board is making good progress restructuring the Company's debt
- The Board remains unanimous in the view that the Company's investment in Organic Vines OP LLC (the "OV Investment" or "Organic Vines", as the context permits) was a good deal for all shareholders
- Mr. Banks was publicly supportive of the OV Investment on social media, and also increased his shareholding, via the Requisitioner, shortly after the news was announced
- Mr. Banks became hostile towards the Board after it decided not to invest in a hemp project in Belize, which he was associated with
- Mr. Banks does not have relevant experience

***a) The current Board has delivered excellent company performance***

Led by CEO Dr. Tom Becker, the Company has executed its strategy to expand operations whilst reducing iodine production costs. This was particularly important during a period when iodine prices were depressed in 2016 and early 2017. Strategic decisions have included the decommissioning of IO#1, the relocation of IO#3 and construction of IO#7 in 2018, the Company's most advanced plant, which was delivered on time and on budget. No member of the current Board, including Mr. Baller, chose the locations of IO#3 through to IO#6. The current Board inherited the challenge of dealing not only with this less than ideal expansion of plants but a large amount of new drawn down debt.

As a consequence of the Board and management's ability to deliver on its plans, Iofina has increased crystalline iodine production by 352% from year end 2013 to 2019 (171mt to 602.7mt), with earnings growing as a consequence of greater efficiencies and a rising iodine price.

Iofina expects to have its latest plant, IO#8, online in April 2020 which is also on time and on budget and the Company is on track to deliver further record production and earnings growth in 2020.

In the initial statement made by Mr. Banks (through his associate Mr. Wigmore), which was first publicised on Twitter on 2 March 2020, it listed the reasons for the investment in Iofina, which included:

- Rising Iodine prices up from \$19/kg to \$37/kg in 18 months
- The rate of demand for Iodine is rising faster than supply
- 2-year capital payback on new plant investments
- Excellent downstream chemical facility in Kentucky
- Improving EBITDA
- Production problems with the market leaders in Chile
- Improving "Iofina" extraction technology

All points relating to the Company's operations and performance are a result of the current Board's strategy and the management's ability to execute the strategy and achieve its targets for all shareholders.

Further, during a period of historically weak iodine prices between 2016 and 2017, the Board, which included Mr. Baller, made a number of prudent early strategic decisions which kept the Company operationally lean in the face of challenging market. This meant the Company was not impacted as heavily as it might have been otherwise. The Company also notes that the rise in iodine prices from the lows in early 2017 until today occurred over a period of approximately 3 years not 18 months.

The Company's near-term targets have been to:

- Deliver IO#8
- Grow its CBD operations
- Reduce and refinance its debt
- Optimise a long-term business expansion plan

All of the strategic decisions made have been in line with these above targets and the Company is pleased with the progress.

In the Company's 2019 interim results, announced in September 2019, Iofina reported a 29% increase in Revenue to \$14.53m, a 53% increase in Gross Profit to \$3.90m and a 172% increase in EBITDA to \$1.97m. Production of crystalline iodine rose by 8.6% to 286.7 metric tonnes, with margins improving as a result of both better plant efficiencies and the rise in the iodine price.

On 16 January 2020, the Company issued a market update, announcing that it had produced 602.7 metric tonnes of crystalline iodine, a record year of production.

The Company has made significant progress in the development of its newest plant, IO#8, which will bring the total number of plants in operation to five and will add a further revenue stream for the Company. This plant will include improved designs and efficiencies.

***b) Key claims made by Mr. Banks in his statement are incorrect.***

Mr. Banks' statement made a number of claims which the Company has addressed below:

*Badly executed expansion of new Iodine plants with uneconomic levels of Iodine & high operating costs*

Mr. Banks' statement does not specify which plant expansions this statement is referring to, however, under the current Board and management Iofina's plants have grown to be some of the most efficient in the world at producing Iodine.

Mr. Banks appears to have directed criticism at actions undertaken under the previous Board, and when Mr. Baller had no involvement in the Company as either CEO or Chairman. The current Board, led by Mr. Baller and Dr. Becker, has rectified a number of these inherited issues from previous management and the Company has made excellent progress.

*A failed initiative to supply water to fracking companies from an exhausted Gas field acquired for millions that turned out to be almost valueless*

This is an example that Mr. Banks does not understand the Company and its history. The fresh water supply project was separate from the initial Montana Iodine/Natural Gas Atlantis field upon

which the Company was founded in 2006. The fresh water project was halted since Iofina could not obtain the requisite permit from the state of Montana. A minimal amount of money was spent on this potential project. The water was never to have been generated by the 'gas field'.

The unrelated Atlantis Field for natural gas and iodine was, at the Company's inception, an economic gas field. Unfortunately, natural gas prices dropped from \$15 per Mcf to under \$2.50 per Mcf following the advent of horizontal drilling and hydraulic fracturing ("fracking"). When Mr. Baller was the CEO of Iofina between March 2010 and April 2013, he made the strategic decision to explore for unknown iodine fields and develop the Company's IOsorb® technology and plants. These new iodine fields were a byproduct of the same drilling, fracking stimulation and completion technology that made Atlantis uneconomic. This switch saved the Company. All of the Company's current locations are in fields that were not in production of high part per million iodine rich brine until horizontal drilling and fracking was perfected.

***c) The Board is making good progress on restructuring the Company's debt***

Addressing and restructuring the Company's debt has been and remains a top priority for the Board and is progressing as planned. The Board is in dialogue with several potential debt providers to complete the debt restructuring and hopes to update the market on this soon. With the Group demonstrating significant earnings growth, it is in its strongest position ever to negotiate a debt restructuring. As part of the process, the Company has put together a database of information, including preliminary 2019 FY accounts, highlighting the continued uplift in EBITDA and a strong 2020 financial projection model. The Company is confident that a restructuring deal will be secured. The Board is frustrated that the requisition of this GM will only serve as a distraction when it wishes to solely focus on the debt restructuring and executing Iofina's growth strategy.

***d) The Board remains unanimous in the view that the Organic Vines investment was a good deal for all shareholders***

On 6 November 2019, Iofina announced that it would be completing the \$900,000 OV Investment. This investment was made in line with the Company's strategy to develop and integrate IofinaEX, which is focused on processing and developing products derived from hemp, such as CBD.

This one-time investment has provided the Company with invaluable market knowledge and understanding with which to continue growing the IofinaEX part of the business. This information has helped the Board to make informed decisions as it executes on its CBD business strategy in an extremely dynamic market. Management has been working with growers, extractors and geneticists, and the opportunity has given it vital exposure to the industry for progressing its own efforts in hemp and CBD.

While a related party transaction, the deal was structured in such a way as to protect Iofina shareholders. Organic Vines is not solely owned by Mr. Baller (as Mr. Banks appears to claim), he simply has 100% voting control. The entire Board visited the seed facility, performed due-diligence and thereafter voted unanimously in favour of the OV Investment. Further, Mr. Baller was excluded from Board discussions about the investment and from voting on the decision to invest. The investment was for one growing season only and Organic Vines is to be wound down after all the seeds are sold. Organic Vines is not a long-term operating company but was designed for the single investment opportunity purpose only.

Mr. Baller also invested US\$700,000 of his own money into the exact same share class as Iofina's investment. This class allowed an absolute break after sales from any unknown potential long-term liability. Additionally, there is 100% collateral on the seeds and crop to protect this investment.

Management of Iofina is given (at least) monthly reports of the progress and is pleased with the progress. The Organic Vines partner has assembled a robust sales staff and has already begun to sell seeds with the main seed selling season in the US running from 15 March to 30 June.

The Company anticipates a profit on investment in 2020 totaling up to US\$1.8 million. Based on current projected seed pricing the Board believes that maximum return is achievable and it would not have approved this investment if the Board did not believe that it was not in the best interests of shareholders – simply, Iofina was fortunate to have been presented with this opportunity and Mr. Baller's involvement was not a consideration when making that investment decision.

**e) Mr. Banks was publicly supportive of the OV Investment**

The Board notes that Mr. Banks was publicly supportive of the OV Investment at the time of investing. This is evidenced by the fact that he indirectly increased his shareholding in the Company, through the Requisitioner, on 6 November 2019 from 13.85% to 14.34% (see TR-1 Form announced on 12 November 2019) after the Company's RNS announcing the investment prior to market open.

Further, Mr. Banks made a statement on Twitter on 6 November 2019 in response to Iofina announcing this investment, which read:

*"Excellent progress and will tie into the new Belize venture which is very exciting. Well done @iofinapl on a great move, iodine prices are strong and work started on IO8!"*

**f) Mr. Banks became hostile towards the Board after it decided not to invest in a hemp project in Belize, which he was associated with.**

On 13 August 2019, the Company announced the incorporation of IofinaEX Global Inc., with the purpose of specialising in the production of hemp derived products in Central America and the Caribbean for export into the United States and internationally. One of the territories Iofina looked at was Belize, following introductions made by Mr. Banks and specifically his associate Mr. Wigmore. Mr. Wigmore is a former diplomat to Belize and, accordingly, the Board initially viewed that jurisdiction favourably given his governmental and other highly-placed contacts.

Between July 2019 and February 2020, the Board worked closely with Mr. Banks and Mr. Wigmore on the concept of establishing an IofinaEX presence in Belize. In particular, several Board members visited the country and met with government officials alongside Mr. Wigmore during this time. These discussions had the aim of persuading the Belize government to adopt hemp regulations in line with those of the US – thereby ensuring a seamless supply chain for any eventual Iofina operations. Despite positive indications, these conversations were ultimately unsuccessful and Belize's hemp regulations remain opaque and unaligned to those of the US. As such, any Iofina operations in that country would have been legally uncertain and effectively isolated.

Moreover, certain of the discussions proved confusing since Iofina was given differing and often conflicting information regarding the status of Belize's hemp regulations. At one stage, Iofina was

informed by Belizean officials and Mr. Wigmore that no hemp licences had been granted in the territory – a critical point that would have given Iofina a distinct competitive advantage. However, Iofina was able to gather, from its contacts involved with Organic Vines, that in fact three such licences had been granted in the country, immediately negating any advantage and bringing into question the information on which Iofina was to rely.

Accordingly, given the lack of alignment between Belize and the US hemp regulations, the questionable validity of the information provided to Iofina, and other reasons, the Board decided not to proceed with operations in that country.

It is worth noting that high-level discussions took place prior to this decision between Iofina, Mr. Banks and Mr. Wigmore about the proposed structure of any Belize entity incorporated by IofinaEX. It was requested by Messrs Banks and Wigmore that they each be granted a 10% interest in that entity. Additionally, it was proposed that Mr. Wigmore's friends, family members and other persons be issued up to an additional 15% interest in IofinaEX Global Inc. Messrs Banks and Wigmore also wanted Mr. Wigmore to become CEO of the venture and to add his uncle to the Board of Directors of the venture.

***The Board suspects that this is the real reason behind the requisition request. Messrs Banks and Wigmore were seeking to use Iofina as a vehicle to conduct related party transactions solely for their own benefit. That the Board denied them that opportunity, for good reason, has clearly met with their disapproval.***

The events following the Board's decision not to proceed with any operations in Belize are instructive. Almost immediately following the communication on 21 February 2020 of that decision to Mr. Banks, members of the Board began to receive messages from him threatening to requisition a meeting calling for their removal. Messrs Banks and Wigmore also proposed a differing structure for operations in Belize in which he and his partners would take a 75% stake in the operations with Iofina receiving a 25% interest in return for the use of the Iofina name, seeds, and management's expertise. The Board rejected that offer since the amount of management time required could not be justified given the small equity stake proposed, the lack of control over how Iofina's name would be used, and the residual reservations the Board had as to the ability to operate legally in Belize.

In short, the Board believes that the requisition is a reaction to the Board saying "no" to Mr. Banks and putting the interests of Iofina and all of its shareholders as a whole ahead of his narrow views.

***g) Mr. Banks does not have relevant experience***

Originally in the statements made by Mr. Banks released via Twitter on 2 and 3 March 2020 it was proposed that Mr. Banks, Mr. Martyn Holman and Mr. John Banks (being the brother of Mr. Arron Banks) be appointed as Directors of Iofina. They do not have any experience of working in the chemicals sector, nor are any of them experts in chemical engineering. Now, it is proposed that Mr. Banks solely be added to the Board of Iofina.

Mr. Banks' career has mostly revolved around the insurance industry. As such, Iofina does not view his appointment as beneficial to the Company, but more likely would negatively impact the strategy and undo the significant progress that has been made over recent years. As an example, in his statement Mr. Banks suggests that iodine disinfectants are a low-cost, low-tech solution for countries to fight Coronavirus and refers to a small group study as an example. In reality, the CDC and EPA have now recommended many

available disinfectants to reduce the spread of COVID-19. Mr. Banks' logic as to why Iofina, a 'Business-to-Business' iodine and iodine derivative seller without iodine-based EPA disinfectant registrations, should be focused in this area where there are chlorine, peroxide and alcohol based recommended solutions is puzzling.

It was also originally proposed in Mr. Banks' statement and posted on Twitter on 2 and 3 March 2020 that both Mr. Baller and Dr. William Bellamy be removed as Directors from the Board of Iofina. It is now proposed in the current statement that only Mr. Baller be removed.

By comparison, Mr. Baller has guided Iofina through its most difficult period to occupy the strong position it holds now. Mr. Baller re-joined the Board in April 2014 as a member of the new leadership team. Shortly thereafter he deferred his compensation in an effort to put Iofina on a more solid financial footing during a major restructuring the Board initiated. His commitment is not in doubt. In 2014, he and the rest of the new management team managed to implement plans to reduce costs at Iofina's IOsorb® plants and reduced administrative costs by over \$750,000 compared to 2013. They recruited and guided the current Board and management team in whom investors place such confidence. This Board has a diverse and knowledgeable talent base that is able to represent all shareholders. Mr. Baller represents an integral part of that and has been key in leading Iofina to record EBITDA performance.

In short, the knowledge and experience required to guide an iodine-based specialty chemical company is significant, and Mr. Baller meets these requirements.

**In summary, the Board is disappointed by Mr. Banks' behaviour and considers his actions to be both disruptive and damaging to the Company, its shareholders and its stakeholders.**

Moreover, the Board is of the view that the statement made by Mr. Banks and the Proposed Resolutions serve to promote his interests and those of his business associates, not necessarily to the benefit of the Company and its other shareholders.

### **3. Board recommendation**

The Board unanimously recommends that shareholders **VOTE AGAINST** the Proposed Resolutions for the following reasons:

- The Company has never been stronger, its strategy remains unchanged and the Board has been and continues to work to deliver this strategy;
- Management led by Dr. Becker has overhauled operations, upgrading plants and delivering increased production, increased earnings, greater efficiencies and ultimately greater profitability
- All strategic decisions made have been in line with the Company's targets to deliver IO#8, grow IofinaEX and reduce debt, and the Board is pleased with the progress that has been made
- Mr. Banks' letter and social media postings note many of the positives about the current situation for the Company, none of which would have been possible without the current Board, including Mr. Baller
- Mr. Banks publicly was a supporter of the Company's CBD project in the USA which includes the \$900,000 investment into Organic Vines
- Mr. Banks became hostile towards the Board only after it confirmed it would not be pursuing a project in Belize – a decision made after significant due diligence, with the Board concluding that it presented too many risks at the present time

- Mr. Banks now has released three different versions of his statement changing his stance each time; this rapid change in course on a daily basis would be detrimental to the Company
- The current Board has illustrated that it has a strong understanding and respect of diversified independence and corporate governance for all shareholders and we will continue to search for diverse, qualified Directors with these principles that add value and will represent the best interests of all Iofina shareholders.
- **IF NOT VOTED DOWN**, it appears to the Board that Mr. Banks intends to exert significant influence over the conduct of the Board in the future and prioritizing his and his associates own personal gain over the best interests of the wider shareholders.

**ACCORDINGLY, THE BOARD UNANIMOUSLY AND STRONGLY RECOMMENDS THAT SHAREHOLDERS  
VOTE AGAINST THE PROPOSED RESOLUTIONS**

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*This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.*

## **Appendix**

### **Statement required to be circulated to members by Rene Nominees (IOM) Limited in support of resolutions proposed at General Meeting**

Dear Shareholders

We wanted to share with you the reason for calling the General Meeting and why we think shareholders should vote in favour of the resolutions.

We have been a long-time holder of "Iofina Equity & Debt" since 2014 and worked with the company to help it recover after a series of poor investment decisions in a difficult market environment.

Without our financial support and that of Stena Investment, the company would have collapsed.

We recently agreed to convert \$4.19m of debt to common equity, in the process becoming the largest individual shareholder in the company, for the following reasons:

- Rising Iodine prices up from \$19Kg to \$37Kg in 18 months
- The rate of demand for Iodine is rising faster than supply
- Lowest cost production in the market
- 2-year capital payback on new plant investments
- Excellent downstream chemical facility in Kentucky
- Improving EBITDA which we calculate at \$12m a year
- Production problems with the market leaders in Chile
- Improving "Iofina" extraction technology

#### **Post-Conversion Note: Coronavirus / Iodine**

Iodine is used as a preventive measure against the disease & official Japanese health guidelines adopted during the SARS outbreak recommend an Iodine based mouthwash and oral tablets as the best way to provide a level of protection against the disease.

Existing alcohol based handwash products produced in China are not fully effective against the virus.

Iodine is a low-cost option for handwash and disinfectant that kills all versions of the Flu virus and is suitable for distribution on a worldwide basis. Japanese and European health guidelines recommend Iodine based products for the washing of floors, surfaces and handwash. Iodine disinfectants are capable of being deployed in developing countries as a low-tech solution with a proven track record.

[https://www.jrs.or.jp/quicklink/guidelines/guideline/nopass\\_pdf/seijininnai12\\_e.pdf](https://www.jrs.or.jp/quicklink/guidelines/guideline/nopass_pdf/seijininnai12_e.pdf)

#### **Background to breakdown in relationship with the Company**

The Chairman, Lance Baller, was involved in a number of strategic blunders which cost tens of millions of dollars and left the business heavily indebted:

- Badly executed expansion of new Iodine plants with uneconomic levels of Iodine & high operating costs
- A failed initiative to supply water to fracking companies from an exhausted Gas field acquired for millions that turned out to be almost valueless
- Unsustainable corporate debt

We believe the executive management have done a good job of recovering the position, shutting non-performing plants and focussing on producing Iodine at worldwide competitive cost levels. Well done Tom & team!

"Iofina" recently approved a related party loan of \$900,000 to Organic Vines OP LLC, a company 100% owned by Mr Baller, to finance the growth of hemp seeds.

The loan was provided through a novel corporate structure called a Dissolving Non-Voting Equity Participation Share where "lofina" have first call on the profits up to a maximum return of 300%.

Organic Vines have no financial track record and the terms of the loan seem to have had no collateral or financial guarantees from Mr Baller. Any investment in a new start up is a risky proposition and we would expect to see an equity stake with some sort of personal guarantee over the loan. Most investors involved in this type of risky finance expect a return of 5 to 10X return to compensate for the risk of failure.

As an ex-investment banker, Lance can claim to have invented a new financial instrument known as the "Dissolving Non-Voting Equity Participation Share" (DNVEPS). I would prefer to describe the arrangement as "Lance's Magic Seeds deal".

The company lent nearly a million bucks of your money to the Chairman, with no risk and no equity if the venture succeeds.

On a pragmatic level, it will be hard to normalise the company in investment terms and encourage the recovery of the share price or market perception.

We are also concerned by the lack of progress demonstrated by the board over the debt restructure, \$16.5m is due to be re-paid to Stena Nv in June 2020 and we have argued that this should have been prioritised or the shareholders could face substantial dilution from a forced institutional placing or poor financing terms. We hope to hear a solid reply from the company in response to this statement when they respond.

These two issues mean we have lost confidence in the Chairman and we would observe, having worked closely with the company, that he runs the company like it is his own private business and other directors are often side-lined or ignored.

The resolutions seek to replace Lance and appoint myself as a director without salary. We would support the appointment of one of the other directors as "interim Chairman" and push for a strategy that better benefited shareholders:

- Appoint an independent US based Chairman.
- Company has around \$10m of cash on its balance sheet and we would explore options to leave the company debt free or with long term facilities that could fund growth and the expansion of Iodine plants capable of producing Iodine below the world production costs.
- Explore financing via trade partners rather than banks
- Clean up the balance sheet and start paying dividends by 2021 or finance share buybacks
- Look to move forward on plans for Io9, Io10

It is time for the board to put the shareholders first.

I have enjoyed a successful career in business having created a major direct insurance business from scratch, from a desk and two telephones and no capital. The business was a top 20 UK Insurance broker employing 1000 staff, a turnover of £250m and profits of £20m. The business was sold for £137m to private equity and then I did it all over again, creating a top 20 broker, in half the time!

I have varied business interests in insurance, leisure, legal and commodity companies.

The plan with "lofina" would be to retain the executive management that have turned the business around but start thinking about how we create shareholder value.

Yours faithfully

**Arron Banks**