**This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.**

25 May 2021

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

**AUDITED 2020 FINAL RESULTS**

**RECORD REVENUE, EBITDA and IODINE PRODUCTION**

Iofina plc, specialists in the exploration and production of iodine and manufacturers of specialty chemical products, announces its audited final results for the 12 months to 31 December 2020.

***2020 Sales and profits grow despite Covid-19 headwinds:***

- Revenue increased by 1.5% to $29.7m (2019: $29.2m)
- Gross profit increased by 1.9% to $8.4m (2019: $8.2m)
- EBITDA improved by 6.7% to $4.7m (2019: $4.4m)
- Operating profit increased by 4.1% to $2.9m (2019: $2.8m)
- Profit before tax increased by 131.3% to $1.28m (2019: $0.55m)

***Debt refinanced and interest payments reduced:***

- Debt of $18.2m was refinanced by $5.2m repayments and $13.0m of bank facilities
- Finance expense decreased by 37.7% to $1.7m (2019: $2.7m)
- Cash of $3.5m at year end (2019: $8.2m) following $5.2m repayments as part of debt refinancing

***Increasing production and delivering on investment plan:***

- Iofina Resources produced 610 MT of crystalline IOflo® iodine from Oklahoma based IOsorb® plants (2019: 602.7 MT)
- Construction of IO#8 plant completed and production commenced April 2020
- Capital investment into iodine and chemical plants was $2.4m (2019: $1.7m)

***2021 so far:***

- Record revenues for Q1 2021 partially as a result of sales of excess inventory
- Extreme February weather impacted Q1 crystalline iodine production, producing 108MT (2020: 129.7 MT), but operations are since normalised
- Iodine prices have remained stable and recently lifted to $34-37/kg in Q2 2021

**Commenting, President and CEO Dr. Tom Becker, stated:**

*"I am extremely pleased with the excellent progress that Iofina has made in 2020, and we are proud to report that the Company has had another record-breaking year, testament to the hard work and dedication of our staff and the resilience of our business model even in the face of a global pandemic.*

*"The Group's debt refinancing during the period was a key highlight and has greatly strengthened the balance sheet, placing us in an excellent position to continue to make operational improvements and to expand our production and chemicals product portfolio. In line with our expansion strategy, IO#8 was completed on time and within budget during the period and we are now carefully reviewing several promising locations for expanding further, while carefully considering the timing around this.*

*"Following a brief slowdown in the second half of the year as a result of the COVID-19 pandemic and its effects on the global economy, we have been particularly encouraged to see the strong state of the iodine market and its recovery in Q1'21, with prices having bounced back to roughly where they were this time last year. We are confident that this recovery will continue for the remainder of 2021 and beyond and we are pleased to be on track to continue our growth.*

*"I'd like to thank our staff for their dedication throughout what was a challenging year and I'd like to thank shareholders for their continued support. I look forward to updating the market going forward as we continue to progress with our prudent growth strategy."*

**Investor presentation**
Thomas Becker, CEO and Malcolm Lewin, CFO will provide a live presentation relating to the 2020 results and outlook for the Company via the Investor Meet Company platform on 26 May 2021 at 3pm BST. The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via the Investor Meet Company dashboard up until 9:00am today, or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet Iofina plc via:
https://www.investormeetcompany.com/iofina-plc/register-investor

Investors who already follow Iofina plc on the Investor Meet Company platform will automatically be invited.

**Annual General Meeting**
The Company is posting its 2020 Financial Results and notice of its AGM to shareholders today. The 2021 AGM of Iofina plc will be held at 2:00 p.m. on 18 June 2021 at 4-6 Russell Street, London WC2B 5HZ. In light of COVID-19 circumstances and due to continued travel and meeting restrictions in place and other safety factors, it will not be possible for shareholders to attend the meeting in person. The AGM will be run as a closed meeting with the minimum necessary quorum of two shareholders in accordance with Iofina's articles of association.

To ensure shareholder votes are counted at the AGM, all shareholders are asked to submit a Form of Proxy and are advised to appoint the chairman of the meeting as your proxy to ensure your vote is counted. The Company will provide any further relevant information regarding AGM matters in future RNS releases.

**Enquiries:**

Dr. Tom Becker
CEO & President
**Iofina plc**

Tel: +1 859 356 8000

Christopher Raggett/Tim Harper (corporate finance)
Tim Redfern (ECM)
**finnCap Ltd**
Tel: +44 (0)20 7220 0500

Media Contact:
Charles Goodwin/Joe Burgess
**Yellow Jersey PR Limited**
Tel: +44 (0)7747 788 221

**About Iofina:**
Iofina plc (AIM: IOF) is a vertically integrated Company that specialises in the production of Iodine and the manufacturing of specialty chemical products. As the second largest producer of iodine in North America, it comprises three USA entities; Iofina Resources, Iofina Chemical and IofinaEX.

LEI: 213800QDMFYVRJYYTQ84
ISIN: GB00B2QL5C79

***Iofina Resources***
Iofina Resources develops, builds, owns and operates iodine extraction plants using Iofina's WET® IOsorb® technology. Iofina currently operates five producing IOsorb® plants in Oklahoma and is consistently using technology and innovation to improve and expand its operations.

***Iofina Chemical***
Iofina Chemical has manufactured high quality halogen speciality chemicals derived from raw iodine, as well as non-iodine based products for over 35 years.

***IofinaEX***
Iofina's newest subsidiary, IofinaEX, is fully licensed to process hemp in the state of Kentucky and is currently managing a hemp seed investment in this market.

www.iofina.com

## Contents

COMPANY INFORMATION .......... 2
CHAIRMAN'S STATEMENT .......... 3
FINANCIAL REVIEW .......... 7
DIRECTORS' BIOGRAPHIES .......... 10
STRATEGIC REPORT .......... 12
S172 STATEMENT .......... 20
CORPORATE GOVERNANCE .......... 21
DIRECTORS' REPORT .......... 22
CORPORATE GOVERNANCE STATEMENT .......... 24
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOFINA PLC .......... 31
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .......... 41
CONSOLIDATED BALANCE SHEET .......... 42
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY .......... 43
CONSOLIDATED CASH FLOW STATEMENT .......... 44
COMPANY BALANCE SHEET .......... 45
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY .......... 46
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .......... 47

## COMPANY INFORMATION

| | |
|---|---|
| Directors | L J Baller<br>T M Becker<br>W D Bellamy<br>M T Lewin<br>J F Mermoud<br>M C Fallin |
| Secretary | Simon Holden |
| Company number | 05393357 |
| Registered office | 48 Chancery Lane<br>London WC2A 1JF |
| Auditor | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London E1W 1 YW |
| Nominated Adviser | finnCap Ltd<br>1 Bartholomew Close<br>London EC1A 7BL |
| Brokers | finnCap Ltd<br>1 Bartholomew Close<br>London EC1A 7BL |
| Solicitors | Keystone Law Limited<br>48 Chancery Lane<br>London WC2A 1JF |
| Registrar | Link Asset Services<br>34 Beckenham Road<br>Kent BR3 4TU |
| Financial PR | Yellow Jersey PR Limited<br>70-71 Wells Street<br>London W1T 3QE |

## CHAIRMAN'S STATEMENT

### Introduction

We began 2020 with the business poised for further growth across all business lines. We were experiencing strong growth in existing products, and there was exciting new oilfield development that would enhance our iodine production and new specialty chemical product lines. The COVID-19 pandemic impacted our 2020 aspirations, however I am extremely pleased with the way in which the Company navigated the year.

Iofina took immediate steps to protect its workforce from the spread of COVID-19, as well as precautions to enable continuity of business operations. Chemical manufacturing was deemed an 'essential business' in the United States where Iofina operates, and by creating the safest working environment our staff were able to perform their duties throughout these unprecedented times. On behalf of the Board, I would like to say a big thank you to our staff for their commitment throughout, given how difficult the pandemic has been for many people.

While Iofina and the iodine market was not as negatively affected as many other sectors, there was a temporary slowdown in iodine demand and a reduction in iodine price. We also saw oil futures prices go negative on delivery, which had a significant negative impact on our partners.

Despite the various headwinds of 2020, Iofina produced record levels of Iodine and achieved record figures across all its key Group financial reporting metrics. We also delivered record revenue from non-iodine products (up 23%), completed the construction of the IO#8 plant on time and on budget and successfully restructured the Company's debt, which has helped to significantly strengthen the balance sheet. Current total debt is now less than half of the debt 24 months prior, with interest rates on debt considerably reduced. The reduction in finance expense was a major factor in the 131% increase in profit before tax.

We began to see markets recover during the latter half of 2020, and with this we got straight back on track with our targets. Momentum has continued into 2021 and the progress we've seen in Q1 and early Q2 of the new year has been extremely pleasing.

We have built an excellent business with its diversified, low-cost production across five IOsorb® plants and a specialty chemicals business meeting the needs of its customers across a number of end markets. With debt reduced and the balance sheet strengthened, we are able to continue investing in the right areas to deliver future growth and profitability. Our main goal remains 'continuous improvement' throughout the business, which can be measured by financial results and production, as well as the creation of new products and the wellbeing of our staff. The management is committed to delivering improvements across the business every year, which will ultimately drive shareholder value.

### Iofina Resources

Iofina Resources ("IR") produced a record 610 metric tonnes ('MT') of crystalline iodine during the period and continued to execute its expansion plans, completing its latest IOsorb® plant IO#8 in April while operating its four other plants in western Oklahoma. IR's unique technology and business model allows the Company to isolate a valuable resource, iodine, from brine waste streams produced from current oil and gas operations. The Company believes its iodine production costs are among the lowest in the world.

Prior to restrictions and market changes caused by the COVID-19 pandemic, IR met its production expectations. As COVID-19 restrictions increased, IR and its workforce continued to operate plants and produce iodine in a challenging environment. Additionally, construction continued on IO#8 during this time. Oil and gas production and demand in the USA changed significantly during Q2 2020 and oil prices briefly turned negative. As a result, many oil and gas operators made decisions to shut-in production and/or spend less money on operations to conserve cash. As a result of this knock-on effect, IO#8 saw its brine supply limited and management took the prudent decision to temporarily shut down the plant in early May. IR continued to focus on factors within its control at that time. Its four other plants continued to produce iodine and IR utilized federal programs to keep its personnel fully employed. The IO#8 shut-in was short-lived, and operations resumed in June.

It is a crucial part of IR’s strategy to continue investing in maintenance at our sites and to work closely with our brine suppliers to maximize brine available to our plants. Lower brine supply had some impact on iodine production at a few plants in H2 2020 as oil fields in our core area matured and less capital was spent on oil production to conserve cash. However, Iofina has good relations with its brine suppliers and together we continue to work on projects to maximize brine availability to IOsorb® plants to the benefit of both Iofina and its partners.

The achievement of building IO#8 on time and on budget is a testament to the maturity of IR as a Company and its talented employees. Exploration efforts remain a focus for IR and the Company intends to continue its prudent growth strategy and expand its iodine production, with the next expansion likely to start late in 2021. The Company’s main priority when looking to expand its operations has always been to find locations that demonstrate the highest potential for stable, long-term, and quality brine supply. Given the events of 2020 this, along with ensuring we execute at a time when growth will be best supported by the global iodine market, are of even greater importance for Iofina. The Directors are committed to production growth but prudently after risk factors are fully evaluated for future sites.

For IR’s next expansion, the Company is exploring traditional IOsorb® sites, investigating alternative brine sources for existing plants, considering locations outside Oklahoma, and studying means to better control brine streams to both future and current plants. The Company is well geared for expansion and, as with IO#8, expansion can be accomplished with minimum SGA costs. The Company believes at this time that expansion can be funded from current company resources and credit lines.

**Iofina Chemical**

Iofina Chemical (“IC”) and its employees, deemed an essential business, maintained operations throughout the pandemic and achieved record sales of $29.7m over the course of the period, all in spite of challenging market conditions which saw iodine demand decrease in H2.

One of the pillars of Iofina’s business model is to diversify the business within our technological expertise. This was particularly important in 2020 where iodine-based product demand slowed but IC’s non-iodine products remained strong, seeing sales increases of over 22% YOY. This diversification has allowed Iofina to successfully navigate the difficult market conditions.

A major part of IC’s strategy is to reinvest in existing processes and to develop new products within its core expertise, and this has continued throughout 2020. IC has been developing other iodine derivatives to add to its portfolio, process improvements to existing semi-conductor and disinfectant lines are ongoing, and we continue to work with a major Fortune 100 company on an iodine-based process which is expected to continue to grow. Due to competitive reasons and confidentiality agreements more info cannot be presented.

Iofina Chemical continues to cultivate relationships with existing and new customers and strives to meet or exceed its customer’s expectations.

**Iodine Prices**

Since the iodine price lows of early 2017, prices steadily increased through to early 2020, reaching \$36-37/kg. During the second half of 2020, as global economies contracted, so did the demand for iodine, resulting in prices reducing slightly to \$33-35/kg during the second half of 2020. The Company's iodine inventories were higher than normal at the end of 2020, due to this reduced demand. However, they normalized in Q1 2021 as global markets bounced back, resulting in a record sales quarter for the Company. Iodine prices have recently moved higher to approximately \$34-37/kg, which is similar to where prices were in early 2020. Currently iodine prices are trending higher and Iofina now expects iodine prices to continue to slowly increase in 2021, assuming global economies maintain their recoveries.

**Debt Refinancing**

In September 2020, the Group announced that it had refinanced its entire debt with First Financial Bank of Ohio. The debt refinance included a 7-year \$10m term loan and a revolving line of credit of up to \$8m. Initially the company drew \$3m on the line of credit and currently minimizes the line of credit interest expense by 'sweeping' any funds not required for operations. Interest rates on Company debt have been lowered from 7.5% to below 4%.

The debt refinancing was a major accomplishment for the Group, particularly doing so at a time when banks were particularly cautious due to the level of uncertainty in the market. Significantly, since March 2019, the Group has more than halved its total debt, thus achieving substantial reductions in both debt and interest outgoings moving forward. This allows the Group to utilize more profits to reinvest in the Company's growth.

**Environment, Health and Safety ("EHS")**

Iofina is committed to operating in a safe, efficient, and environmentally friendly manner. The Group is committed to the highest standards of safety for our employees and our community. Iofina's iodine production utilizes a produced brine stream which, without Iofina, would simply be disposed of along with the contained iodide. Isolation of this valued resource from a produced stream is an extremely environmentally friendly method in contrast to other major US based iodine production, which requires the drilling of new brine wells which serve no other purpose than iodine production.

The Group is constantly striving towards continuous improvements in its EHS policies and programs. Iofina Chemical is a Chemstewards® certified facility (recertified in 2019 and currently active). Iofina Resources and Iofina Chemical each have an EHS manager to oversee practices, and upper management personnel are regularly updated on EHS performance matrices. All Iofina employees are engaged in practices to continually improve safety and reduce environmental impact.

Iofina has also implemented further safety initiatives in the wake of the COVID-19 pandemic to protect its employees.

**Strong Board and Governance**

The Directors continue to acknowledge the importance of high standards of corporate governance. The Group's Corporate Governance Statement is found on page 24 of this report. Given the Group's size and the constitution of the Board, the Directors decided to adopt the principles set out in the QCA Corporate Governance Code published in April 2018 (the "QCA Code") in advance of the requirement to adopt a corporate governance code under AIM Rule 26 of the AIM Rules for Companies. In addition, we continue to operate a robust framework of systems and controls to maintain high standards throughout the Group, further details of which can be found in the Corporate Governance Statement. The Board believes that effective corporate governance assists us in the delivery of our corporate strategy, the sustainable generation of shareholder value and the safeguarding of our stakeholders' long-term interests. We continue to strengthen the Board by adding independent appointments that have the interest of all shareholders at the forefront. Iofina will continue to seek a diverse board with strong skillsets that continue to grow and challenge the Company. The Board was particularly pleased with the 2020 appointment of the former Governor of the State of Oklahoma and former US Congresswoman for Oklahoma in the United States. Mrs. Mary Fallin has brought a strong set of unique experience that has enhanced the Board of Iofina as it continues to deliver on its strategy.

**Outlook**

The next few years look to be transformational for Iofina. The limits of the excessive debt to EBITDA ratio are of the past, as we go into a debt to EBITDA range of 2-3x. Cashflow generation will compound and allow the Group to continue paying off debt while allowing for controlled growth, something that the Group has struggled to achieve since 2013 and which has been a key goal for the Board. We now have a highly attractive, profitable Company story to present to institutional and retail investors worldwide and we are looking forward to the return of investor roadshows and new investor programs starting mid-year 2021.

In terms of our expansion, we are squarely focused on growing our current iodine production and chemical compounds while moving into new and exciting chemical compounds. We are also considering strategies to reduce our reliance on our current oil and gas partners.

Over the past several years we have been working to diversify our product lines, recognizing the importance of product diversification in our core chemical competencies. This diversification was shown to be particularly important in 2020 as many sectors contracted and in the coming years we will continue this diversification. In 2021, we plan to invest in a new production line to improve our largest non-iodine process to improve efficiencies, safety, and purity. We will continue to explore new products and business relationships to ensure future growth.

We continue to be prudent in our approach to growth and are looking at all the data points we have available with regards to the paradigm shift we've seen both politically and economically from the low oil and natural gas prices experienced in 2020. This data is enabling us to strategically select our next IOsorb® plant locations in mid to late 2021 as we continue to grow.

We would like to thank all of our shareholders for their continued support as we guided the business through a tough 2020 and we are looking forward to the excellent opportunities we are seeing as we move forward into the next chapter for the Company.

Lance J Baller
Non-Executive Chairman
Iofina plc
24 May 2021

## FINANCIAL REVIEW

### Summary 2020 v 2019

- Sales slowed by COVID-19 pandemic but results still ahead of 2019
- Revenue increased by 1.5% from $29.2m to $29.7m
- Gross profit increased by 1.9% from $8.2m to $8.4m
- EBITDA improved by 6.7% from $4.4m to $4.7m
- Operating profit increased by 4.1% from $2.8m to $2.9m
- Finance expense decreased by 37.7% from $2.7m to $1.7m
- Profit before tax increased by 131.3% from $0.55m to $1.28m
- Debt of $18.2m was refinanced by $5.2m repayments and $13.0m of bank facilities
- Paycheck Protection Program loans of $1.09m were received, and forgiven in 2021
- Capital investment into iodine and chemical plants was $2.4m (2019: $1.7m)
- Construction of IO8 plant completed and production commenced April 2020
- Inventories increased by $3.6m largely due to COVID-19 impact on sales
- Cash reduced from $8.7m to $3.5m after debt repayments

### Trading results

Total revenue increased by 1.5% from $29.2m to $29.7m. Demand for Iofina's iodine related products fell due to the COVID-19 pandemic, but the effect on total revenue was offset by price increases achieved and by an increase in sales revenue from non-iodine products. Turnover of iodine related products declined by 8% from $20.2m to $18.5m. Sales of crystallised iodine fell by 9%, with a 23% volume reduction from 422 metric tonnes to 324 metric tonnes offset by 18% price increases, with an average price of $34.84 (2019 $29.42) per kilogram. Sales of iodine derivative products showed a combined 34% volume decline mitigated by a 26% overall price increase. Non-iodine products revenue increased by 23% from $9.1m to $11.2m, with volume increases of 23% and no overall pricing change.

Gross profit improved overall by $0.2m (2%) to $8.4m (2019 $8.2m), remaining at 28% of sales as for 2019. Margins over costs of materials were some 4% higher for all iodine products combined, while for non-iodine products there was a 4% fall in margins. Costs of the Iofina Chemical plant increased by $0.6m (18%) reflecting higher maintenance costs and the strengthening of the production management function. Production costs of iodine per kilogram at Iofina Resources increased by 8% reflecting startup costs at the new IO8 plant and lower output in relation to costs. The net result of all the above factors was a similar gross profit to 2019.

Crystallised iodine production was 610 metric tonnes compared to 603 metric tonnes for 2019. A new plant IO8 was put into service in April 2020. Sales of crystallised iodine, both as raw iodine and in derivative compounds, fell by 28% from 665 metric tonnes to 476 metric tonnes. Sales of crystallised iodine were 68% of the total (2019 64%), and sales of crystallised iodine in derivative products were 32% of the total (2019 36%).

EBITDA improved by 6.7% from $4.4m to $4.7m after deducting $3.7m SGA expenses (2019 $3.8m) from gross profit of $8.4m (2019 $8.2m).

Operating profit after depreciation and amortisation of $1.8m (2019 $1.6m) was $2.9m compared to $2.8m for 2019.

**Finance expense and derivative liability**

Finance expense fell from $2.7m in 2019 to $1.7m in 2020, and there was a non-cash derivative liability credit of $0.4m in 2019 (2020 Nil). The 2019 expense amount of $2.7m comprised principally $1.6m interest payable, $0.2m arrangement fees, and a $0.8m non-cash charge for discount amortisation on convertible loan notes. The 2020 expense of $1.7m comprises principally $1.1m interest payable and $0.5m refinancing and arrangement fees. The reduction of $0.5m in interest payable reflects both loan repayments of $5.2m made during 2020 and the reduction in interest rates from 7.5% to 3.50% and 3.25% resulting from the debt refinancing described in Note 20. The refinancing and arrangement fees of $0.5m are expected to be a non-recurring item.

**Profit before tax**

Profit before tax improved from $0.6m (2019) to $1.3m (2020). Given that 2020 trading results were on a par with 2019, the improvement mainly reflects the reduction in finance expense described above.

**Debt refinancing**

2019 term loan notes debt of $18.2m was refinanced during the year by repayments of $5.2m and new bank facilities totalling $13.0m. The facilities comprise a seven year term loan of $10.0m repayable in monthly instalments, and a revolving line of credit of $8.0m, of which $3.0m was drawn initially. The 2019 term loan notes carried an interest rate of 7.5%, whereas the new facilities are at 2.5% over US LIBOR as regards the term loan and 2.25% over US LIBOR as regards the revolving line of credit. Further details of these facilities are given in Note 20.

**Paycheck Protection Program loans**

Paycheck Protection Program loans totalling $1.090m were received during the year. Notification of forgiveness of these loans was received from the Small Business Administration in January 2021.

**Investment**

Progress towards a return on the Group’s November 2019 investment of $0.9m in the hemp seed production undertaken by Organic Vines OP LLC has been delayed, with the COVID-19 pandemic a factor. See Note 16 for details.

**Capital investment**

The Group invested $2.4m in capital projects and equipment (2019 $1.7m), of which $0.6m relates to improvements and replacements at the Iofina Chemical plant (2019 $0.4m), and $1.8m relates to the Iofina Resources Oklahoma plants. Of this latter amount $1.7m was spent on completing construction of IO8 plant, placed in service April 2020, and together with the $1.2m spent in 2019 brings the total cost of the plant to $2.9m.

**Cash flow**

Cash started the year at $8.7m and ended at $3.5m, a net cash outflow of $5.2m. The major contributor to the outflow was the $5.2m debt repayments made as part of the debt refinancing. There was also an increase of $3.5m in inventories, offset by a $2.7m decrease in receivables. These latter changes reflect the slowdown in sales due to the COVID-19 pandemic, that became more pronounced as the year progressed. However the Group is experiencing much more favourable trading conditions so far in 2021, and it is expected that working capital ratios will continue to normalise.

Malcolm Lewin

**Malcolm Lewin**
Chief Financial Officer
Iofina plc
24 May 2021

## DIRECTORS' BIOGRAPHIES

### Lance J. Baller, Non-Executive Chairman

Mr. Baller was co-founder, CEO and President of Iofina Plc prior to his departure for health reasons in June 2013. Mr. Baller was the Group's Finance Director from 2007 until his appointment as CEO in 2010. Mr. Baller returned as Chairman in April 2014. Mr. Baller is the former managing partner of The Elevation Fund and Elevation Capital Management. Mr. Baller is the former managing partner of Shortline Equity Partners, Inc., a mid-market merger and acquisitions consulting and investment company in the United States. He has actively served on the investment, audit, corporate governance and compensation committees, while on the board of directors of companies in Asia and North America. Mr. Baller is also a former vice president of mergers and acquisitions, financing and corporate development at Integrated Biopharma, Inc., and prior to this a vice president of the investment banking firms UBS AG and Morgan Stanley. He has served as Chairman to various companies and has led successful restructurings. Mr. Baller is on the board of trustees of Index Funds and also serves as the chairman of the audit committee and as the audit committee financial expert under the Sarbanes-Oxley Act of the United States for Index Funds.

### Dr. Thomas M. Becker, Chief Executive Officer

Dr. Becker has served as President/CEO of Iofina plc since 2014 and has led Iofina Chemical since March 2010. Previously, Dr. Becker was the Vice President of Research and Development at H&S/Iofina Chemical. Iofina bought H&S in July 2009. Dr. Becker has conducted extensive research in both inorganic and organic halogen-based chemistry. Dr. Becker has written a magnitude of published technical papers in his career. Prior to H&S Dr. Becker worked as an Oak Ridge Scholar on behalf of the US EPA and for various other chemical manufacturing companies. Dr. Becker earned a BS in Chemistry from Indiana University, and a PhD in Chemistry from the University of Cincinnati. He has extensive experience in scale-up of chemical processes from laboratory to pilot to full scale production. Dr. Becker is a former member of the Board of Governors of the Society of Chemical Manufacturers and Affiliates ("SOCMA").

### Dr. William D. Bellamy, Non-Executive Director

Dr. Bellamy is the former Senior Vice President of the Water Business Group at CH2M HILL, Inc. ("CH2M"), a company he has worked at for 30 years until his recent retirement. CH2M is one of the largest consulting engineering companies in the world, providing leadership and strategic direction for the water business and application of technologies worldwide. Dr. Bellamy has participated in energy and sustainability forums, including as a panellist at the World Future Energy Conference in Abu Dhabi, the World Bank Sustainable Cities Symposium and the Future of Water Economic Forum. Dr. Bellamy serves as Professor of Practice at the University of Wyoming, where he teaches graduate courses and is responsible for securing grants and research funding in the areas of water resources, water treatment and sustainable energy development. Dr. Bellamy has a PhD in Civil Engineering from Colorado State University, an MSc in Civil (Environmental) Engineering from the University of Wyoming and a BSc in Electrical (Bio-Medical) Engineering from the University of Wyoming.

**Malcolm T. Lewin, Chief Financial Officer**

Mr. Lewin was named CFO and a director of the Group in November 2016 after having joined Iofina as interim CFO in February 2016. Mr. Lewin is based in the UK and has over 30 years of experience in finance and accounting for both public and private companies. As well as being a partner in a chartered accounting firm for 11 years, he has acted for various companies listed on AIM and other exchanges. In particular, from 2000 to 2003 he was the Finance Director of Oxford Metrics plc, an AIM company supplying motion capture and visual geometry systems. From 2004 to 2006 he was the Finance Director of Real Estate Investors plc, an AIM property investment company with interests in quality commercial and industrial properties. From 2006 to 2011 he was a Director and CFO of Hunter Bay Minerals plc, a junior mining company listed on the Toronto Venture Exchange with interests in South America and Canada. From 2011 to 2014 he was CFO and Treasurer of VolitionRX Limited, an OTC life sciences company focused on developing blood tests for a broad range of cancer types and other conditions. Mr. Lewin has an MA in Classics from Oxford University and qualified as a chartered accountant with Coopers & Lybrand.

**J. Frank Mermoud, Non-Executive Director**

Mr. Mermoud has more than 30 years' experience in international business, facilitating trade and investment in both the public and private sectors. He has held senior international, economic and commercial policy positions within the United States Government having served as the Secretary of State's Special Representative for Commercial and Business Affairs at U.S. Department of State from 2002 to 2009. Mr. Mermoud is also a Non-Executive Director of Cub Energy Inc. an oil and gas company headquartered in Houston, Texas.

**Mary C. Fallin, Non-Executive Director**

Mary Fallin has served the State of Oklahoma for over 30 years. She was elected the first female Governor of the State in 2010, and was re-elected for a second term in 2014. Prior to serving as Governor she held a number of state and federal positions, including serving as US Congresswoman for Oklahoma's 5th district between 2007-2011 and serving as Lieutenant Governor of Oklahoma between 1995-2006. Mary has been a major contributor to natural resources industries in Oklahoma, and implemented the State's first comprehensive energy plan as well as its State-wide water plan. She has held several positions, including Chair of the Southern State Energy Board, Chair of the Interstate Oil & Gas Compact Commission, and has served on the natural resource committee of the National Governors Association (NGA). Previously, she also served on the United States House of Representatives Committee on Small Business, was Small Business Chairman on the Republican Policy Committee, and was named the "Guardian of Small Business" by the National Federation of Independent Business. Mary has also served on numerous Boards of Directors for both commercial organizations and non-profits.

**STRATEGIC REPORT**

**Principal activities and review of the business**

Iofina plc ("Iofina" or the "Company") is the holding company of a group of companies (the "Group") involved in the exploration and isolation of iodine and the production of specialty chemicals. Brine water is sourced from partnerships with oil and gas operators, and saltwater disposal ("SWD") operators in the United States and is used as a raw material to produce iodine at the Group's multiple IOsorb® plants. The Group's unique business model isolates a resource, iodine, from a produced waste stream that, without Iofina's technology, would be lost. Iodine containing or other specialty chemicals are produced at and sold through the Company's wholly owned subsidiary Iofina Chemical, Inc., with the major raw material being the Group's produced iodine. Additionally, the Group's crystalline IOflo® iodine is sold directly to other iodine end-users. IofinaEX Inc. is currently managing a hemp seed investment and has explored cannabinoid production from hemp.

Iodine is a rare element that is produced only in a few countries in the world, with approximately 90 percent produced from Chile (~60 percent) and Japan (~30 percent, including recycled waste streams). Iodine is a unique element with numerous applications. Iodine and compounds made from iodine have many human health related applications including; x-ray contrast agents, pharmaceuticals, antiseptics, thyroid function, and others. Additional high volume uses of iodine include; LCD screen technology, material heat stabilisation, animal feed additives, biocides, catalysts and more. The Group produces iodine in the United States where the overall global iodine production is only a small percentage of the world's total production, but where there is a large consumption of the world's iodine by various American users.

Iofina Resources, Inc. is the Group's wholly owned subsidiary which uses proprietary Wellhead Extraction Technology® (WET®) and WET® IOsorb® methods to produce iodine from brine. The Directors of the Company believe that Iofina's unique business model for the production of iodine by utilizing produced brine from third party oil and gas production is advantageous for long term raw material sourcing and minimised production and expansion costs. The ability of the Group to expand its iodine production quickly, at low cost, differentiates Iofina from other iodine producers. This has been proven from the recent expansion of production and opening of IOsorb® plants IO#7 and IO#8. Economically viable iodide rich brine is not common and the Group's proprietary geological model to locate and anticipate iodide rich sources is unique.

The main focus of Iofina's current business model is the production of iodine from brine and the creation and sales of specialty chemicals through Iofina Chemical. The Directors feel strongly that diversification of the business while focusing on our core expertise is important. Iofina Resources diversifies its iodine production through multiple IOsorb® production plants with multiple brine suppliers in our core area in western Oklahoma. The technology the Group has developed, utilizing a waste resource already being produced, allows Iofina the ability to expand its operations quickly with minimal capital expenditure. Continued prudent growth in the number of IOsorb® plants increases production, profit and diversification. Continued expansion of the Group's geological model provides opportunities for Iofina outside of its current core area. Iofina Chemical produces many iodine-based products with applications in various industries including agricultural, pharmaceutical, biocides and others. Additional diversification is realised by the production of non-iodine-based products at Iofina Chemical. Markets for various products can change, and Iofina Chemical's ability to produce a variety of products allows the Group to take advantage of growing markets while not being as affected by temporarily depressed or declining markets. This was evident in 2020 where the global economic slowdown during the COVID-19 pandemic severely damaged many companies. However, through Iofina's business model which includes diversification and low-cost production, the Group was able to manage the business during a difficult time. Creating strong, transparent, long-term, mutually beneficial customer relationships are a fundamental tenet for Iofina Chemical. Research and Development remain a top focus at Iofina in order to improve on current systems, be at the forefront of new technologies, new specialty chemical products and applications in our core competencies.

Iodine prices are a key consideration for the Group. Over the last decade, iodine price fluctuations have been rather dramatic compared to iodine price changes before 2011. Market supply and demand changes as well as manufacturing cost increases for iodine are the major factors influencing the price of iodine. In 2011, the combination of the Fukushima disaster in Japan and Chilean supply disruptions resulted in a shortage of iodine and a spike in iodine prices which resulted in iodine prices reaching all-time highs. Since that time, iodine prices have fallen dramatically from these highs as Chilean production increases caused over-supply in the market for some time while iodine producers were aggressively competing for market share. Iodine prices hit a low near the end of 2016 and into early 2017. From the beginning of 2017 through the middle of 2020 iodine spot prices rose by approximately 75%. Iodine prices retreated in H2 2020 as a result of lower global demand for iodine and iodine-based products during the global COVID-19 pandemic. As an iodine manufacturer, iodine prices have a significant impact on the Group's gross profit margins. Prices have again begun to increase in Q2 2021 and, whilst not certain, the Group expects iodine prices to continue to rise in 2021. Any increase in iodine prices and the rate of increase will likely be tied to the rate of reopening of global industries and economies as COVID-19 vaccine rollout globally increases which should end this pandemic in due course.

The Directors properly recognized that, as the Company erected its IOsorb® plants, it was imperative for Iofina's iodine production costs to be amongst the lowest in the industry to be competitive. Between 2014 and 2017 numerous initiatives were successfully implemented to optimise Iofina's technology and lower iodine production costs. Once a majority of these process cost optimisation goals were achieved, and iodine market conditions were positive, the Directors executed the next phase of Iofina's business plan and began a growth strategy. In early 2018 the Group's iodine plant, IO#7, was completed. By expanding our operations and building IO#7, the Group has successfully lowered overall iodine production costs compared to the costs before IO#7. The Directors continued this prudent growth strategy in 2019. In Q2 2019 the company performed an equity raise to reduce debt and provide working capital for expansion projects. The result was the construction of IO#8 which began in late 2019 and was completed in early April 2020.

The Group is committed to continued growth and is investigating locations and partnerships to expand iodine production. Any potential expansion of iodine production is not likely to occur before Q4 2021. Uncertainties in expansion of oil and gas production in our core areas in the USA, uncertainty of the recovery rate of economies and iodine demand, as well as learnt lessons of the past regarding locations of IOsorb® plants are all factors for the Directors when considering the timing of expansion projects. The Directors are aware of the risk of declining brine availability if our partners do not maintain or increase their hydrocarbon production in areas that supply the Group's current IOsorb® plants. The Group is investigating the economics and the technology to better control the iodide rich brine supply that feed the current and future IOsorb® plants. Iofina Chemical continues to be recognised as a world-renowned halogen specialty chemical producer. Vertical integration of the Group's iodine into iodine derivatives gives Iofina's customers stability of supply in addition to the long-standing quality and technical support to Iofina's global customers for the goods sold to them. Additionally, the non-iodine-based halogen derivatives produced by Iofina Chemical gives the Group further diversity.

**Key Performance Indicators**

The Directors review a range of financial indicators to assess and manage the Group's performance, including the following relating to revenue and iodine production:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|---|---|
| Revenue from sales of iodine and iodine derivatives | $18,506,546 | $20,094,135 |
| Revenue from non-iodine products | $11,181,004 | $9,151,093 |
| Total revenue | $29,687,550 | $29,245,228 |
| Total pounds of product shipped | 1,799,900 | 2,255,840 |
| Metric tonnes of crystallised iodine produced | 610 | 603 |
| IOsorb® plants in operation (year-end) | 5 | 4 |

Commentary on the above indicators is to be found in the Chairman's Statement on pages 3 to 6.

Further commentary on the results for the year and the financial position at the year-end is to be found in the Financial Review on pages 7 to 9.

**Objectives**

At the end of 2020 the Group had five operating IOsorb® iodine production facilities in the Group's core area in Oklahoma. While the theoretical capacity of these plants is very high, the practical capacity of the plants is somewhat lower. Practical capacity takes into account multiple causes of downtime, including weather, repairs and maintenance, inadequate brine (low parts per million of iodine, heavily contaminated brine or little to no supply), power outages and other conditions. As we have proven our technology and continue to improve operations at current facilities, more accurate practical capacity operating targets have been realised as well as improvements for maximising practical capacity.

Iofina Resources' unique business model allows the group to determine sites for new iodine production plants utilizing existing brine produced from oil/gas production and quickly bring these sites into production. The continued execution of this prudent growth strategy was continued with the start of construction of IO#8 in late 2019 which was completed in April 2020. While technology and efficiency improvements at current facilities remain an ongoing priority, the Company continues to explore new iodine production opportunities. This objective of strategic expansion in 2020 and beyond is focused on sites that will continue to improve Iofina's output with low production costs. Brine supply to our IOsorb® plants can be affected by regulatory changes and adjustments of our partner's saltwater disposal systems and oil production programs. Iofina continues to work with its partners to implement plans to maximize brine input and iodine output at each of our existing sites. The mutually beneficial relationship between Iofina and its brine supply partners, which allows Iofina to create iodine and allows the brine suppliers to realize value from a waste stream, is a key component for existing projects and potentially for future sites. Continued efforts by our business development and geological teams have identified numerous other expansion opportunities that the Company will continue to evaluate and potentially execute, with current and other potential brine supply partners, when management determines proper timing for new sites.

Timing of future iodine production growth will be dependent on various factors including the stability or increase of iodine prices, global iodine demand, availability and costs to produce iodine at new sites, partnership agreements, oil prices and production in areas with high iodide content brines, and the regulatory landscape with respect to brine injection. With the fluctuations in oil prices, which was evident in 2020, the Group is increasingly focused on evaluating alternative brine sourcing opportunities which may allow the Group to better control brine supply at future sites. The Directors are focused on expansion in a prudent manner whilst properly managing the current debt and cash flow of the organisation. Expansion in 2021 is likely assuming the effects of COVID-19 are short lived and do not impact the global iodine markets or USA oil/gas production negatively long-term.

Iofina Chemical has continued to invest in current products lines, safety improvements, and new product R&D. These include investments in both iodine-based products and other non-iodine specialty chemicals. Capital investment projects completed in 2020 included methyl fluoride capacity improvements, trichloromelamine process improvements, addition of reactor capacity for iodide products and other safety initiatives. The R&D and the sales groups continue to investigate and research new opportunities for and applications of our existing portfolio of products, as well as identify and produce new halogen-based derivatives for the Group in order to grow our halogen derivatives business. As Iofina Resources has continued to increase iodine production, the sales team has developed new outlets for this increased production of iodine including direct sales of the Group's crystalline IOflo® iodine directly to iodine consumers. Managing existing and developing new sales channels and relationships, as Iofina continues to grow, is a high priority for the sales force at Iofina Chemical.

IofinaEX has explored extraction of cannabinoid-based products from hemp and is licensed in Kentucky. The market for cannabinoids from hemp has fluctuated greatly since IofinaEX was formed. As a result of many factors, including increased regulation uncertainty and a significant price reduction of cannabinoids derived from hemp biomass, IofinaEX is now solely focused in monetizing its seed investment. This current hemp seed investment is a one-off investment project with Organic Vines OP with the potential to achieve up to a 2x's return on investment. Over 22 million certified organic seeds were produced in this project. By obtaining Organic certification for the seeds produced, we have obtained a differentiation factor from most other hemp seed and provides greater value. To date seed sales have been much slower than expected with only thousands of seeds sold. The partnership is confident that these high-quality seeds will be sold and realise profit, however the timeframe for this realisation is unknown.

Lastly, the Directors are committed to employee retention whilst controlling costs. Employee safety and training are also key objectives for the Group. A key component for the Group is the high operational gearing whereby the Group's business model allows for the control of administrative and fixed expenses whilst expanding operations.

**Principal risks and uncertainties**

Iofina plc is subject to a number of risks and uncertainties, which could have a material effect on its business, operations or future performance, including but not limited to:

**Raw Materials:** Brine water produced from oil and gas operations is the raw material source for Iofina's iodine production. The Group continues to evaluate opportunities to integrate its IOsorb® process into produced brine water streams associated with hydrocarbon operations in the USA, as well as other brine stream sources throughout the world. However, there is significant risk and no guarantee as to the volume of commercial quantities of iodide rich brine available to our current and future IOsorb® plants. Oil and gas prices and demand for these hydrocarbons, generally will dictate whether our partners continue to expand their production or possibly reduce hydrocarbon output. Changes in hydrocarbon production by our partners will change the total brine availability to isolate iodine and thus the iodine output of our IOsorb® plants. The SWDs that our partners operate may have temporary or permanent issues which would likely affect the brine supply to IOsorb® plants. In the past year there has been a reduction of capital spent by our partners for new drilling and recompletion of wells in our core area which has resulted in a decline in total amounts of brine co-produced with oil and gas in our key areas. Iofina maintains good relationships with our partners who provide the brine water to our existing IOsorb® plants. Maintaining a positive, mutually beneficial relationship with our brine suppliers is a top priority for the Group. By continuing an aggressive water testing program and active exploration utilising geology and data analytics and incorporating reservoir and production engineering, we are constantly evaluating new potential locations for iodine extraction in our core area and in other locations.

Iofina Chemical sources raw materials throughout the globe. Understanding the supply chain of these materials is important to minimise supply disruptions. Iofina Chemical has long term relationships with many of its suppliers. Additionally, when possible, Iofina Chemical sources materials from multiple suppliers to reduce risk. Increased regulations can adversely affect availability and cost of materials. Prices of raw materials and energy can change and if increases in these prices are not able to be passed on to our customers, it would negatively affect margins for our products.

**COVID-19 and Global Crises**: Global Crises, while rare, can impact businesses significantly. The COVID-19 pandemic is an example of such an event. These events could have a negative effect on the markets we serve and on profits. COVID-19 resulted in a global economic slowdown and a reduced demand for many of Iofina's products. These types of events can also result in delays in shipping, worker limitations, business closures and other challenges which may negatively affect the Group. The diversity of Iofina's products along with the uses of products in areas like human health applications make Iofina less susceptible than most other businesses. Iofina quickly implemented many protocols to minimize any negative impacts on the business but these protocols only reduce risk and cannot eliminate risk. COVID-19 or other events such as political unrest, acts of aggression (wars), other health crises, major weather events or others would likely have a negative effect for the Group.

**Environmental:** The Group's operations are subject to the environmental risks inherent in the exploration and chemical industries. The Group is subject to environmental laws and regulations in connection with all of its operations. Although the Group intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances that could expose the Group to extensive liability. Accordingly, the Group promotes wherever possible environmental sustainability in its working practices and seeks to minimise, mitigate or remedy any harmful effects from the Group's operations on the environment at each of its operational sites. Regulations on brine injections in the state of Oklahoma into the Arbuckle geological formation in the Group's core area due to seismic activity were implemented mainly in late 2015 to early 2016 and have affected Iofina's partners' brine disposal into this formation near some of our sites. This reduced some brine availability to Iofina at some sites. The Group and its partners have implemented and continue to implement strategies to minimise the effect on the availability of iodine rich brine to Iofina due to these regulations. Moving forward the Group and its partners will continue to monitor these risks and act accordingly. While the frequency and intensity of earthquakes have significantly reduced in Oklahoma, and this reduction is likely a result of regulated changes in brine disposal into the Arbuckle formation, there is still risk of additional earthquakes and regulation moving forward. Changes in laws or regulation of brine streams could affect brine availability or the cost to produce iodine. As a specialty chemical manufacturer, new regulations based on chemical use, adverse human health or environmental impact are a risk and may lead to higher costs or controlled production. Other environmental regulations that restrict manufacturing of chemicals that Iofina produces would have a negative impact on the Group. The Group has a robust Environmental, Health and Safety program and strives for continual improvement in this area. Additionally, Iofina Chemical is a certified Chemstewards® facility.

**Iodine Price volatility:** The demand for, and prices of, iodine are highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, the price and availability of alternatives, actions taken by governments and global economic and political developments. Increases in current iodine producers' production capacities or new iodine producers entering the market could negatively impact prices. Fluctuations in iodine prices and, in particular, a material decline in the price of iodine would have a material adverse effect on the Group's business, financial condition and operations. Since 2017 prices of iodine have been rising until demand for iodine slowed as the global demand for many products fell during the second half of 2020 as the COVID-19 pandemic surged. This resulted in a slight decline on iodine prices that are now rising again in Q2 2021.

**Key customers:** There are a limited number of potential customers who purchase many of the products of the Group's chemical business, which makes relationships with these customers, as well as the success of those customers' businesses, critical to the Group's success. The loss of one or more major customers could harm the business, operating results and financial condition of the Group. Iofina is continuing to diversify its customer base in its Chemical subsidiary. In addition, Iofina works closely with all of its customers to develop strong relationships, with a significant focus on ensuring that its products and services meet the needs of its customers and are of the highest quality. In 2020, 15 percent (2019; 15

percent) of revenue recognised was attributable to one long term customer. Relations with this customer are good.

**Key Partners:** Iofina partners with third party oil and gas producers and saltwater disposal operators to process iodine rich brine they extract with oil and gas production. Fluctuations of oil and gas prices in the US can affect the financial stability of oil and gas producers. Any changes in operator status or the financial strength of our partners is a risk to brine production and availability. The Group has agreements with our partners to reduce any risk of change in status. Material changes in these brine supply contracts with our partners could negatively affect the Group.

**Regulation and Trade**: The businesses are subject to various significant international, federal, state and local regulations currently in effect and scheduled to become effective in the near future, including but not limited to environmental, health and safety and import/export regulations. These regulations are complex, change frequently, can vary from country to country, state to state and have generally increased over time. Iofina may incur significant expense in order to comply with these regulations or to remedy violations of them. The new federal administration in the USA is more likely to increase regulations for the oil, gas and chemical industries versus the previous administration. Any new regulation that would increase cost of raw materials the Group uses, reduces availability of these raw materials or caps production of products the Group produces would likely have a negative effect on margins.

Any failure by Iofina to comply with applicable government regulations could result in non-compliant portions of our operations being shut down, product recalls or impositions of civil and criminal penalties and, in some cases, prohibition from distributing our products or performing our services until the products and services are brought into compliance, which could significantly affect our operations.

IofinaEX is involved in the sale of hemp seeds, a highly regulated industry. Laws and regulations for handling hemp seeds, biomass and products produced from hemp continue to change and evolve.

The Group closely monitors regulations across its businesses to ensure that it complies with the relevant laws and regulations. While Iofina does not believe that it is non-compliant with any laws or regulations, any instances of non-compliance would be brought to the attention of the appropriate authorities as soon as possible.

Recently trade relationships between the USA and other areas of the world have become more unstable. Increased tariffs implemented by the USA and retaliatory tariffs imposed by other governments against the USA has the potential to adversely affect both raw material supply and final product sales for Iofina in certain areas of the world. Iofina has been proactive in reducing the impact of tariffs which directly impact the Company’s supply and sales lines.

**Inventory Fluctuations:** Inventory level changes can cause a financial instability. One recent example is that demand for some of the Group’s products decreased in H2 2020 as the pandemic based global economic slowdown accelerated which resulted in the Group carrying abnormally high inventories. This inventory increase negatively affects cash flow. Low inventories can negatively affect sales volumes and customer relationships.

**Insurance may not cover all material losses:** The Group strives to carry standard insurance for our industry that would minimise loss when events occur. However, certain scenarios or events may not be covered by insurance and could have a negative material impact on the Group. For example, cyber-attacks have increased globally and while the Group has increased measures to thwart potential cyber-attacks, we cannot guarantee these measures will prevent a cyber-attack for which we do not carry specific insurance.

**Personnel:** As a small technical organisation, the loss key technical or senior management employees could negatively affect the business.

**Significant Shareholders:** Significant shareholders may have the ability to affect changes that result in a material adverse effect to the organisation including a change in senior management or control of the Group or its Board of Directors.

**Interest Rates:** As a result of the 2020 debt changes that served to significantly reduce both overall debt and interest rates for the Group, a significant portion of the debt carries variable interest rates. While unlikely in the short term, interest rates may rise significantly and negatively impact debt cost of the Group.

**Going concern**

The Group's former Term Loan Notes of $18,177,209, due 1 July 2020, were repaid during the year. New financing totalling $13 million was arranged as set out in Note 20, of which $10 million is repayable over seven years and $3 million has a two-year term. As disclosed in Note 27 the loans totalling $1.09m received by the Group under the Paycheck Protection Program were forgiven in full in January 2021. The size and maturities of the Group's debt obligations have therefore been greatly improved. Based on recent experience and market trends the Group does not expect the COVID-19 virus to have a material negative financial effect going forward. The Group also considers that recent shortfalls in brine supply from oil and gas operators can be mitigated to a significant extent. On that basis the Group has prepared forecasts and projections that indicate there are adequate resources to continue in operational existence for the foreseeable future. However, the Group recognises that there can be no certainty where these predictions are concerned. After due consideration of the foregoing, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the board

Lance J. Baller

**Lance J. Baller**

Non-Executive Chairman
Iofina plc
24 May 2021

## STATEMENT IN ACCORDANCE WITH SECTION 172 OF THE COMPANIES ACT 2006

The Directors are required to make a statement which describes how they have behaved with regard to the matters set out in Section 172(1) of the Companies Act 2006, namely:

**Duty to promote the success of the company**

(a) the likely consequences of any decision in the long-term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, customers, and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standard of business conduct;
(f) the need to act fairly between members of the company.

**Section 172 Statement**

The Directors insist on high operating standards and fiscal discipline and routinely engage with management and employees of the company to understand the underlying issues within the organization. Additionally, the Board looks outside the organization at macro factors affecting the business. The Directors consider all known facts when developing strategic decisions and long-term plans, taking into account their likely consequences for the Company.

The Directors and management are committed to the interests and well-being of Iofina's employees. Iofina is committed to the highest levels of integrity and transparency possible with employees and other stakeholders. Safety initiatives, consistent training, strong benefit packages and open dialogue between all employees are just a few of the ways the Company ensures its employees improve skill sets and work hand-in-hand with management to improve all aspects of the Group's performance.

Other stakeholders include, customers, suppliers, debt holders, industry associations, government and regulatory agencies, media, local communities and shareholders. The Board, both individually and together, consider that they have acted in the way they consider would be most likely to promote the success of the Company as a whole. In order to do this, there is a process of dialogue with stakeholders to understand the issues that they might have. Iofina believes that any supplier/customer relationship must be mutually beneficial and the Company is known for its commitment to details to its customers. Communications with debt holders and shareholders occur on an ongoing basis and as questions arise. The company also communicates through media interviews and Twitter.

The Directors are committed to positive involvement in the local communities where we operate. Part of this commitment is our program "Iofina Gives Back', where Iofina supports local charities by donating time and goods. Additionally, Iofina adheres to environmental regulations at its sites and supports sustainability practices where possible.

Integrity is a key tenet for the Directors and the Company's employees. The Company believes that any partnership must benefit both parties. We strive to provide our stakeholders with timely and informative responses and are always striving to meet or exceed customers' needs.

The Board recognises its responsibilities under section 172 as outlined above and has acted at all times in a way consistent with promoting the success of the Company with regard to all stakeholders.

**CORPORATE GOVERNANCE**

It is the Chairman's responsibility, working with Board colleagues, to ensure that good standards of corporate governance are embraced throughout the Group. As a Board, we set clear expectations concerning the Group's culture, values and behaviours.

In September 2018, the Board adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). On our website (https://iofina.com/corporate-governance/) we set out how we seek to comply with the 10 principles of the QCA Code. The following sections of the Corporate Governance Statement explain how the QCA Code is applied by the Company.

The Board comprises six Directors: the Non-Executive Chairman, two full time Executive Directors and three Non-Executive Directors (each of whom are considered by the Board to be independent), reflecting a blend of different experiences and backgrounds. The function of the Chairman is to supervise and manage the Board and to ensure its effective control of the business. The Board believes that the composition of the Board brings a desirable range of skills and experience given the Group's challenges and opportunities as a publicly quoted company, while at the same time ensuring that no individual (or group of individuals) can dominate the Board's decision-making.

The Board meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Board has established the following committees to fulfil specific functions, each with formally delegated duties and responsibilities (details of which can be found on our website; see: http://www.iofina.com/about/committees): the Audit Committee and the Remuneration Committee. These committees meet on a regular basis and at least two times a year. The Board has elected not to constitute a dedicated nomination committee, instead retaining such decision making with the Board as a whole. This approach is considered appropriate to enable all Board members to take an active involvement in the consideration of Board candidates and to support the Chair in matters of nomination and succession.

From time to time, separate committees may also be set up by the Board to consider specific issues when the need arises.

## DIRECTORS' REPORT

The Directors present their report and financial statements for the Group for the year ended 31 December 2020.

**Strategic report**

Included in the Strategic Report on pages 12 to 19 is the review of the business and principal risks and uncertainties.

**Post balance sheet events**

Post balance sheet events are set out in note 27.

**Directors' responsibilities for the preparation of the financial statements**

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules for Companies (as published by the London Stock Exchange) to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and have elected under company law to prepare the Company financial statements in accordance with IFRS.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRS adopted by the EU; and
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Iofina plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Results and dividends**

The results for the year are set out in the consolidated statement of comprehensive income and detailed in the Financial Review.

The directors do not recommend payment of a dividend.

**Financial instruments and risk management**

Note 14 details the risk factors for the Group and how these risks are managed, including the degree to which it is appropriate to use financial instruments to mitigate risks.

**Directors**

The directors who served during the year and subsequently were as follows:

Lance J. Baller, Non-Executive Chairman
Dr. William D. Bellamy, Non-Executive Director
J. Frank Mermoud, Non-Executive Director
Mary C. Fallin, Non-Executive Director (appointed 1 April 2020)
Dr. Thomas M. Becker, Chief Executive Officer and President
Malcolm T. Lewin, Chief Financial Officer

**Statement as to disclosure of information to the auditor**

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**Auditor**

UHY Hacker Young were appointed as auditors to the Company and in accordance with Section 485 of the Companies Act 2006 a resolution proposing that they be reappointed will be put to the next Annual General Meeting.

On behalf of the Board

**Dr. Thomas M. Becker**
Chief Executive Officer and President
24 May 2021

## CORPORATE GOVERNANCE STATEMENT

The Board is accountable to the Company's shareholders for good corporate governance and it is the objective of the Board to attain a high standard of corporate governance. The Chairman has primary responsibility to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model.

The Company is listed on the AIM market of the London Stock Exchange ("AIM") and is subject to the continuing requirements of the AIM Rules for Companies. In April 2019, the Company adopted The QCA Corporate Governance Code, as published by the Quoted Companies Alliance (the "QCA Code"). On our website (https://iofina.com/corporate-governance-2/) we set out how we comply with the 10 principles of the QCA Code. The following sections explain how the QCA Code is applied by the Company.

### Business model, strategy and approach to risk

The Group focuses on the exploration and production of iodine and halogen-based specialty chemical derivatives. We identify, develop, build, own and operate iodine extraction plants, currently focused in North America, based on Iofina's Wellhead Extraction Technology® (WET®) IOsorb® technology. The Group has complete vertical integration from the production of iodine in the field to the manufacture of the chemical end-products derived from iodine to the consumer, and the recycling of iodine using iodinated side-streams from waste chemical processes. We use patented or proprietary processes throughout all business lines. Together these allow us to be the Technology Leaders in Iodine®. The Group's strategy is to continue to focus on the exploration and production of iodine and iodine specialty chemical derivatives, delivering growth throughout our operations. Growth is intended to be achieved with the continued upgrading and expanding of our plants, which in turn will boost the level of iodine production.

All of the Group's activities involve an ongoing assessment of risks and the Group seeks to mitigate such risks where possible. The Board has undertaken an assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. In addition, the Board has considered the longer-term viability of the Group, including factors such as the prospects of the Group and its ability to continue in operation for the foreseeable future. The Board considers that the disclosures outlined in the Strategic Report on pages 16 to 19 are appropriate. The Board considers that these disclosures provide the information necessary for shareholders and other stakeholders to assess the Group's future viability and potential requirements for further capital to fund its operations.

Having carried out a review of the level of risks that the Group is taking in pursuit of its strategy, the Board is satisfied that the level of retained risk is appropriate and commensurate with the financial rewards that should result from achievement of its strategy.

### Board of Directors

As of the date of this Report the Board comprises six Directors in total: the Non-Executive Chairman, two Executive Directors (being the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO")) and three Non-Executive Directors (each of whom are considered by the Board to be independent), reflecting a blend of different experiences and backgrounds. The skills and experience of the Board are set out in their biographical details on pages 10 and 11. The experience and knowledge of each of the Directors give them the ability to challenge strategy constructively and to scrutinize performance.

The Board is responsible to the shareholders for the proper management of the Group. Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets and forecasts, and new risks associated with ongoing trading. The entire Board typically meets quarterly to set the overall direction and strategy of the Group, to review operational and financial performance, and to advise on management appointments (if necessary). The Board has also convened, when necessary, by video conference during the year to review the strategy and activities of the business. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. The number of meetings attended by each Director can be found on page 27.

There is a clear separation of the roles of CEO and Non-Executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision making and ensuring the Non-Executive Directors are properly briefed on matters. The CEO has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group.

**Time commitment**

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the terms and conditions of their appointment and, in particular, the time commitment expected of them. A potential Director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment. The Board is satisfied that both the Chairman and the other Non-Executive Directors are able to devote sufficient time to the Group's business.

**Independence of Directors**

The Directors acknowledge the importance of the principles of the QCA Code which recommends that a company should have at least two independent Non-Executive Directors. The Board considers it has sufficient independence on the Board and that all the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to the Board, and bring considerable experience in industry, operational and financial development of chemical products and companies. Specifically, the Board has considered and determined that since the date of their respective appointments William Bellamy, J. Frank Mermoud and Mary Fallin are independent in character and judgement, specifically that they:

- have not been employees of the Company within the last five years;
- do not have a material business relationship with the Group;
- have no close family ties with any of the Group's advisers, Directors or senior employees;

- do not hold cross-directorships or have significant links with other Directors through involvement in other companies or bodies; and
- do not represent any shareholder.

The Company Secretary maintains a register of outside interests and any potential conflicts of interest are reported to the Board.

If they so wish, the Non-Executive Directors have opportunities to meet without Executive Directors being present (including after Board and Committee meetings). Because the Board is spread out geographically, the majority of communications between Directors is conducted by video. However, the Board does convene in person at least once a year, and this presents an opportunity (before, after and between management and operational meetings) for the Non-Executive Directors to meet in person without the Executive Directors being present, albeit in-person meetings have been limited during the financial year under review due to the global COVID-19 pandemic and the ensuing travel restrictions in place.

**Professional development**

Throughout their period in office, the Directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as whole. The updates are usually provided by way of written briefings and meetings with senior management. Directors are also advised on appointment of their legal and other duties and obligations as a director of an AIM-quoted company both in writing and in communications (being face-to-face meetings whenever possible) with the Company's Nominated Adviser. The Directors also have recourse to the Company Secretary, a qualified and practising solicitor, who is a recognised practitioner within the AIM community.

All the Directors are subject to election by shareholders at the first Annual General Meeting of the Company ("**AGM**") after their appointment to the Board. Each Director will continue to seek re-election at least once every three years.

**Board Committees**

There are two committees – the Audit Committee and the Remuneration Committee. Their full terms of reference are published on the Company's website at https://iofina.com/committees/.

***Audit Committee***

During the financial period under review, the members of the Audit Committee were Lance Baller, Dr William Bellamy, J. Frank Mermoud and Mary Fallin (who became a member on her appointment to the Board). Mr Baller is the Chairman of the Audit Committee. The responsibilities of the committee include the following:

- ensuring that the financial performance of the Group is properly monitored, controlled and reported on;
- reviewing accounting policies, accounting treatment and disclosures in the financial reports;

- meeting the auditors and reviewing reports from the auditors relating to accounts and internal control systems; and

- overseeing the Group's relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

During the year, the committee met to review audit planning and findings with regard to the Annual Report. In addition, it reviewed the appointment of auditors, and agreed unanimously to re-elect UHY Hacker Young LLP.

***Remuneration Committee***

During the financial period under review, the members of the Remuneration Committee were Dr William Bellamy, Lance Baller and J. Frank Mermoud. Dr Bellamy is the Chairman of the Remuneration Committee. The responsibilities of the committee include the following:

- reviewing the performance of the Executive Directors and setting the scale and structure of their remuneration with due regard to the interest of shareholders;

- overseeing the evaluation of the Executive Directors; and

- determining the vesting of awards, including the setting of any performance criteria in relation to the exercise of share options, granted under the Company's share option plan.

During the year, the committee met to discuss remuneration and bonuses for the Executive Directors, and share option awards for the Directors and senior management.

The Directors' remuneration information is presented on page 29.

**Attendance at meetings**

The Board meets regularly on a quarterly basis, together with further meetings as required. The Audit and Remuneration Committees meet as required, and try to hold a minimum of two meetings each year.

The Directors attended the following meetings during the year:

| | ***Board*** | ***Audit*** | ***Remuneration*** |
|---|---|---|---|
| Lance Baller | 9 | 2 | 1 |
| Dr Thomas Becker | 9 | - | - |
| Malcolm Lewin | 9 | - | - |
| Dr William Bellamy | 9 | 2 | 1 |
| J. Frank Mermoud | 9 | 2 | 1 |
| Mary Fallin | 5 | 1 | - |

**Risk management and internal control**

The Board is responsible for the systems of internal controls and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of these systems annually by considering the risks potentially affecting the Group.

Iofina employs strong financial and management controls within the business. Examples of control procedures include:

- an annual budget set by the Board with regular review of progress;
- regular meetings of Executive Directors and senior management to review management information and follow up on operational issues or investigate any exceptional circumstances;
- clear levels of authority, delegation and management structure; and
- Board review and approval of significant contracts and overall project spend.

The Company's system of internal control is designed to safeguard the Company's assets and to ensure the reliability of information used within the business. The system of controls manages appropriately, rather than eliminates, the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss. The Group does not consider it necessary to have an internal audit function due to the small size of the administrative function. Instead, there is a detailed monthly review and authorisation of transactions by the CFO and the CEO.

The independent auditors do not perform a comprehensive review of internal control procedures, but do report to the Audit Committee on the outcomes of its annual audit process. The Board confirms that the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the year under review and up to the date of approval of the Annual Report.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

**Board effectiveness and performance evaluation**

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is useful for enhancing a board's effectiveness.

The individual contributions of each of the members of the Board are regularly assessed to ensure that: (i) their contribution is relevant and effective; (ii) that they are committed; and (iii) where relevant, they have maintained their independence. The Board intends to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner. One-third of the Directors must stand for re-election by shareholders annually in rotation and all Directors must stand for re-election at least once every three years.

The Company considers that the Board and its individual members continue to perform effectively, that the Chairman performs his role appropriately and that the process for evaluation of his performance has been conducted in a professional and rigorous manner.

**Corporate Social Responsibility**

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interest of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business.

**Employment**

The Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake and thereafter to develop and incentivise staff. The Board recognises its legal responsibility to ensure the wellbeing, safety and welfare of its employees and maintain a safe and healthy working environment for them and for its visitors.

**Investor Relations**

The Board recognises the importance of communication with the Company's shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. Our website has a section dedicated to investor matters and provides useful information for the Company's shareholders (see: http://iofina.com/investors/). The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the Chairman and the CEO ensure that the views of the shareholders are communicated to the Board as a whole. The Board ensures that the Group's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. Fully audited Annual Reports are published, and Interim Results notified via Regulatory News Service announcements. All financial reports and statements are available on the Company's website (see: http://iofina.com/investors/financial-results).

There is an opportunity at the Annual General Meeting for individual shareholders to question the Chairman and the Executive Directors. Notice of the meeting is sent to shareholders at least 21 clear days before the meeting. Shareholders are given the opportunity to vote on each separate issue. The Company counts all proxy votes and indicates the level of proxies lodged on each resolution, after it has been dealt with by a show of hands. Details of the resolutions and explanations thereto are included with the notice, including any special arrangements necessitated by COVID-19.

**Directors' remuneration**

Remuneration provided to each Director was as follows:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Salary** | **Bonus** | **Total $** | **Salary** | **Bonus** | **Total $** |
| Lance Baller | 109,620 | - | 109,620 | 109,620 | - | 109,620 |
| Dr. Thomas Becker | 236,400 | 50,000 | 286,400 | 235,600 | 40,000 | 275,600 |
| Malcolm Lewin | 160,000 | 40,000 | 200,000 | 160,000 | 30,000 | 190,000 |
| William Bellamy | 30,000 | - | 30,000 | 30,000 | - | 30,000 |
| Frank Mermoud | 30,000 | - | 30,000 | 30,000 | - | 30,000 |
| Mary Fallin | 22,500 | - | 22,500 | - | - | - |
| **Total** | **$588,520** | **$90,000** | **$678,520** | **$565,220** | **$70,000** | **$635,220** |

No pension contributions were paid on behalf of the directors in 2019 or 2020.

Directors' and officers' insurance is in place on a Group-wide basis.

The interests of the Directors in office as at 31 December 2020 in the shares of the Company at the end of the financial year and the beginning of the financial year or date of appointment, if later, were as follows:

| | **31 December 2020** | **1 January 2020** |
|---|---|---|
| L J Baller | 4,812,500 | 4,812,500 |
| Dr. T M Becker | 93,750 | - |
| W D Bellamy | 46,875 | - |
| M T Lewin | 93,750 | - |
| J F Mermoud | 23,750 | - |

The Directors were granted options over shares on 16 December 2020 with an exercise price of 12.5 pence. All options granted to Directors are set out in the table below. No Directors exercised options in 2020.

| **Name** | **2018 Options granted** | **Exercise price per 2018 Option** | **Lapse date** | **2019 Options granted** | **Exercise price per 2019 Option** | **Lapse date** | **2020 Options granted** | **Exercise price per 2020 Option** | **Lapse date** |
|---|---|---|---|---|---|---|---|---|---|
| Dr T Becker | 660,000 | 16.2p | 13/6/28 | 242,000 | 21.3p | 24/7/29 | 266,200 | 12.5p | 15/12/30 |
| M Lewin | 330,000 | 16.2p | 13/6/28 | 165,000 | 21.3p | 24/7/29 | 181,500 | 12.5p | 15/12/30 |
| L Baller | 220,000 | 16.2p | 13/6/28 | 165,000 | 21.3p | 24/7/29 | 165,000 | 12.5p | 15/12/30 |
| Dr W Bellamy | 110,000 | 16.2p | 13/6/28 | 82,500 | 21.3p | 24/7/29 | 82,500 | 12.5p | 15/12/30 |
| JF Mermoud | - | - | - | 82,500 | 21.3p | 24/7/29 | 82,500 | 12.5p | 15/12/30 |
| M Fallin | - | - | - | - | - | - | 82,500 | 12.5p | 15/12/30 |

In addition to the above, Dr T Becker has 250,000 2011 Options with an exercise price of 30p and a lapse date of 2 July 2021.

On behalf of the Board

**Dr. Thomas M. Becker**
Chief Executive Officer and President
24 May 2021

## Independent auditor's report to the members of Iofina Plc

### Opinion

We have audited the financial statements of Iofina Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Shareholders' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Group financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

| Evaluation of management assessment | Key observations |
|---|---|
| Management have prepared detailed consolidated cash flow forecasts incorporating all entities within the Group covering the period to 31 December 2022. These are based on their expectation of future costs, including budgeted operating and capital expenditure on all of the group's operating plants licence areas and expectations of future iodine production levels and commodity price. | The cash flow forecast demonstrates that the Group will have a cash flow surplus throughout the forecast period. These incorporated all budgeted and committed expenditure including the repayment of the term loan. We did note that the revolving credit loan, which is due for repayment in September 2022, was not included on the projections provided. It was noted, however, that in September 2022, when the facility matures, the Company is expected to |

| | |
|---|---|
| Our review included:<br><br>• Assessing the transparency, completeness and accuracy of the matters covered in the going concern disclosure by evaluating management's cash flow projections for the forecast period and the underlying assumptions;<br>• Review of the cash flow forecasts, the methodology behind these and ensuring they are arithmetically correct and challenging the assumptions by discussing them with management and corroborating them with historical knowledge;<br>• Obtaining post year end management information and comparing these to budget to ensure budgeting is reasonable and results are in line with expectations; and<br>• We completed a sensitivity analysis on the budgets provided to assess the change in revenue and Iodine prices that would need to occur to push the Group into a cash negative position. | have sufficient cash reserves to repay the balance owed.<br><br>In reviewing the cash flow forecast, we separately sensitised the commodity price to determine the maximum the price of iodine could fall in order for the cash to be depleted to Nil. Overall, the price of Iodine would need to decrease by 23% - 24% in 2021 and 2022 in order for EBITDA to be nil for both years of the forecast. Given the price of Iodine has been increasing since 2018, this is not considered likely.<br><br>The likelihood of this fall in Iodine prices lasting for the entire forecast period is considered by the Directors to be remote and in such circumstances consider sufficient mitigating actions to be available to continue as a going concern. |

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Our approach to the audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Company and the Group, their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement.

Our Group audit scope includes all of the group companies. At the Parent Company level, we also tested the consolidation procedures. The audit team communicated regularly throughout the audit with the CFO in order to ensure we had a good knowledge of the business of the Group. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified during our audit.

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Revenue Recognition**<br><br>Under IFRS 15, the entity shall recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.<br><br>The revenue stream for the group is derived from sale of iodine derivatives, iodine chemicals and ancillary products. All of which are fundamental to the financial statements and a systematic error in the calculation could lead to a material error.<br><br>We therefore identified the risk over the cut off of revenue as a significant risk and also | Our audit work included, but was not restricted to:<br>• Documenting our understanding of management's process for evaluating revenue recognition and assessing the design effectiveness of related key controls.<br>• We tested the completeness of revenue by selecting a sample of items from outside of the Group's accounting system and tracing them to inclusion into the accounting system and agreeing the appropriate revenue recognition.<br>• We tested occurrence of revenue by consideration of our testing in trade receivables in conjunction with using AI software to assist by identifying the |

| | |
|---|---|
| considered completeness and occurrence assertions. | correlation between trade receivables and revenue journals being made and the whether any subsequent reversal of trade receivables should have impacted the recognition of the revenue.<br>• We audited revenue for cut-off by testing pre and post year-end revenue items on a sample basis to assess whether the revenue items were accounted for in the correct period.<br>• Whilst performing our audit testing we assessed whether the treatment of revenue was in accordance with the correct recognition criteria as per the Group accounting policy.<br>• Assessing whether the Company's accounting policy for revenue recognition are in accordance with the requirements of IFRS 15.<br><br>The Group's accounting policy on revenue recognition is shown in Principal Accounting Policies for the consolidated financial statements and related disclosures are included in note 1d.<br><br>**Key observations**<br>As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that revenue recognition is materially accurate and recognised on an appropriate basis. |
| **Valuation and Impairment review of property plant and equipment**<br><br>Under International Accounting Standard 36 'Impairment of Assets' (IAS 36), companies are required to assess whether there is any indication that an asset may be impaired at each reporting date.<br><br>Property, plant and equipment are a significant balance in the financial statements with a combined net book value of £18.8m (2019 - | Our audit work included, but was not restricted to:<br>• We reviewed Management's assessment of forecasted cash flows and challenged significant movements in forecasted cash flows compared to historic performance.<br>• We reviewed Management's forecasted cash flows that feed into the discounted cash flow model and challenged significant assumptions with reference to historic results, market trends, appropriateness of |

| | |
|---|---|
| £18.0m). The balance is primarily comprised of the IOSorb plants, equipment and machinery and exploration and evaluation assets.<br><br>The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and probability of the related future cash flows.<br><br>At each reporting date the Group considers any indication of impairment to the carrying value of its assets. The assessment is based on expected future cash flows and is carried out on each IOSorb plant.<br><br>The directors are required to conduct impairment tests where there is an indication of impairment of the asset. The assessment was based on the future cash flows of each site using a discounted cash flow model (being the 'value in use'). The value in use was then compared to the carrying value of fixed assets for that site.<br><br>Significant management judgement and estimation uncertainty is involved in this area, where the primary inputs are:<br>• Estimating cash flow forecasts;<br>• Selecting an appropriate assumptions such as growth rate and discount rate.<br><br>We therefore identified the risk over the valuation of property plant and equipment as a significant risk, which was one of the most significant risks of material misstatement. | discount rates and future expectations of commodity prices and sales growth<br>• We performed a downside sensitivity analysis and held discussions with Management to assess the likelihood of certain circumstances crystallising.<br><br>The Group's accounting policy on Impairment is shown in Principal Accounting Policies for the consolidated financial statements and related disclosures are included in note 1m.<br><br>**Key observations**<br>As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that no impairments are required. |
| **Valuation of Inventory**<br>Inventory primarily consists of iodine and iodine derivatives. Inventory should be held at the lower of cost and net realisable value.<br><br>The net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. As at 31 December 2020 the inventory is valued at £9.7m (2019 - | Our audit work included, but was not restricted to:<br>• We attended a stocktake at two of the Group's plant locations at the year end, where we observed an inventory count and performed sample testing on inventory held.<br>• We discussed, understood and tested the Group's process for calculating the |

| | |
|---|---|
| £6.1m). There is a risk that the carrying value in the Group accounts is higher than the recoverable amount and it is therefore materially misstated. Further, there is the added risk of the complexity of the measurement of the costs of conversion of the inventory and the estimates and judgements around this.<br><br>We therefore identified the valuation of inventory as a key audit matter, which was one of the most significant assessed risks of material misstatement. | cost of the finished goods based on the absorption cost including challenging assumptions with management to ensure they are appropriate.<br>• A sample of inventory items were tested to ensure the product was held at the lower of cost and Net Realisable Value.<br><br>The Group's accounting policy on Inventories is shown in Principal Accounting Policies for the consolidated financial statements and related disclosures are included in note 1o.<br><br>**Key observations**<br>As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that the valuation of Inventory is materially accurate and recognised on an appropriate basis. |
| **Valuation and Impairment review of investments in subsidiaries and intercompany balances**<br><br>Due to the material size of the investments in, and loans to, the subsidiaries the directors should critically consider if any indicators of impairment exist in relation to the balances.<br><br>The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting the profitability of the subsidiaries.<br><br>Where indicators of impairment have been identified a robust review of the investments held by the Parent Company and any amounts due from subsidiaries to the Parent Company should be undertaken by the directors to confirm the value in use of these amounts and that there are no indications, or requirements for, impairments of the amounts. | Our audit work included, but was not restricted to:<br>• We performed a sensitivity analysis on the key inputs such as a decline in iodine prices and sales growth and concluded that even with an adverse movement in the Group's key assumptions, no potential impairment was identified.<br>• We obtained and reviewed the director's assessment of impairment with regards to investment and loans due from its subsidiaries to ensure the treatment of the balances was in line with IAS 36.<br>• We reviewed the 2020 forecasts against actuals to determine the Directors historic forecasting accuracy.<br><br>The Group's accounting policy on impairment is shown in Principal Accounting Policies for the |

| | |
|---|---|
| Significant management judgement and estimation uncertainty is involved in this area, where the primary inputs are:<br>• Estimating cash flow forecasts;<br>• Selecting an appropriate assumptions such as growth rate and discount rate.<br><br>We therefore identified the valuation of investments in subsidiaries and intercompany balances as a key audit matter, which was one of the most significant assessed risks of material misstatement. | consolidated financial statements and related disclosures are included in note 1m.<br><br>**Key observations**<br>As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that no impairments are required. |

**Our application of materiality**

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

| **Materiality Measure** | **Group** | **Parent** |
|---|---|---|
| Overall materiality | We determined materiality for the financial statements to be: | |
| | $299,000 (2019: $298,000) | $239,000 (2019: $238,000) |
| How we determine it | Based on the main key indicator, being 1% of revenue for the Group. | As the Parent is a holding company, materiality was initially based on 1% of gross assets, however, this exceeded the Group level therefore this was capped at 80% of Group materiality. |
| Performance materiality | On the basis of our risk assessment, together with our assessment of the Group and Company's control environment, our judgement is that | |

| | | |
|---|---|---|
| | performance materiality for the financial statements should be 75% of materiality for the Group and Company: | |
| | $224,250 (2019: $223,500) | $179,400 (2019: $178,800) |
| Specific materiality | We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions of $1,000. | |
| Reporting threshold | We agreed with the Audit Committee that we would report to them all misstatements over 5% of Group and Company materiality identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements. | |
| | $14,950 (2019: $14,900) | $11,950 (2019: $11,920) |

**Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the use of regulated chemicals, tax legislation, employment and health and safety regulation, anti-bribery, corruption and fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit. Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, including correspondence with: SOCMA (Society of Chemical Manufacturers and Affiliates), DEA (Drug Enforcement Administration) and OSHA (Occupational Safety & Health Administration), review of correspondence with legal advisors, enquiries of management, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Daniel Hutson**
**(Senior Statutory Auditor)**

**For and on behalf of UHY Hacker Young**
Chartered Accountants and Statutory Auditor

*UHY Hacker Young*
*4 Thomas More Square*
*London E1W 1YW*

24 May 2021

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|---|
| Revenue | 3 | 29,687,550 | 29,245,228 |
| Cost of sales | 4 | (21,282,945) | (20,999,775) |
| **Gross profit** | | **8,404,695** | **8,245,453** |
| Administrative expenses | 4 | (5,478,931) | (5,435,492) |
| **Operating profit** | | **2,925,674** | **2,809,961** |
| Finance expense | 6 | (1,663,027) | (2,668,426) |
| Finance income | 7 | 15,145 | 18,055 |
| Derivative liability | | – | 392,835 |
| **Profit before taxation** | 4 | **1,277,792** | **552,425** |
| Taxation | 8 | – | – |
| **Profit for the year attributable to owners of the parent** | | **$1,277,792** | **$552,425** |
| Earnings per share attributable to owners of the parent: | | | |
| - Basic | 9 | $0.007 | $0.003 |
| - Diluted | 9 | $0.007 | $0.003 |

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

| | Note | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 10 | 642,596 | 822,596 |
| Goodwill | 11 | 3,087,251 | 3,087,251 |
| Property, plant and equipment | 12 | 18,781,803 | 17,950,874 |
| **Total non-current assets** | | **22,511,650** | **21,860,721** |
| **Current assets** | | | |
| Inventories | 13 | 9,656,019 | 6,077,270 |
| Trade and other receivables | 15 | 3,285,004 | 6,126,450 |
| Investments | 16 | 900,000 | 900,000 |
| Cash and cash equivalents | 17 | 3,481,332 | 8,717,890 |
| **Total current assets** | | **17,322,355** | **21,821,610** |
| **Total assets** | | **$39,834,005** | **$43,682,331** |
| **Equity and liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 5,473,365 | 5,982,162 |
| Term loan – due within one year | 20 | 1,428,571 | – |
| Government subsidies | 27 | 1,089,900 | – |
| Term loan notes | 20 | – | 18,177,209 |
| Lease liabilities | 19 | 140,650 | 119,926 |
| **Total current liabilities** | | **8,132,486** | **24,279,297** |
| **Non-current liabilities** | | | |
| Term loan – due after one year | 20 | 8,214,286 | – |
| Revolving loan facility | 20 | 2,717,581 | – |
| Term loan – interest swap liability | 20 | 69,314 | – |
| Lease liabilities | 19 | 45,501 | 174,167 |
| **Total non-current liabilities** | | **11,046,682** | **174,167** |
| **Total liabilities** | | **$19,179,168** | **$24,453,464** |
| **Equity attributable to owners of the parent** | | | |
| Issued share capital | 21 | 3,106,795 | 3,106,795 |
| Share premium | 21 | 60,686,595 | 60,686,595 |
| Share-based payment reserve | | 2,136,539 | 1,988,361 |
| Retained losses | | (39,330,770) | (40,608,562) |
| Foreign currency reserve | | (5,944,322) | (5,944,322) |
| **Total equity** | | **$20,654,837** | **$19,228,867** |
| **Total equity and liabilities** | | **$39,834,005** | **$43,682,331** |

The financial statements on pages 41 to 77 were approved and authorised for issue by the Board and were signed on its behalf on 24 May 2021.

**Dr. Thomas M. Becker - Chief Executive Officer and President**

The accompanying notes form part of these financial statements. Company number 05393357

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Share premium | Share-based payment reserve | Retained losses | Foreign currency reserve | Total equity |
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 January 2019** | **$2,292,683** | **$48,991,647** | **$1,768,693** | **$(41,160,987)** | **$(5,944,322)** | **$5,947,714** |
| **Transactions with owners** | | | | | | |
| Issue of shares | 814,112 | 11,694,948 | – | – | – | 12,509,060 |
| Share-based expense | – | – | 219,668 | – | – | 219,668 |
| **Total transactions with owners** | **814,112** | **11,694,948** | **219,668** | **–** | **–** | **12,728,728** |
| **Profit for the year attributable to owners of the parent** | – | – | – | 552,425 | – | **552,425** |
| **Total comprehensive income attributable to owners of the parent** | – | – | – | **552,425** | – | **552,425** |
| **Balance at 31 December 2019** | **$3,106,795** | **$60,686,595** | **$1,988,361** | **$(40,608,562)** | **$(5,944,322)** | **$19,228,867** |
| **Transactions with owners** | | | | | | |
| Share-based expense | – | – | 148,178 | – | – | 148,178 |
| **Total transactions with owners** | **–** | **–** | **148,178** | **–** | **–** | **148,178** |
| **Profit for the year attributable to owners of the parent** | – | – | – | 1,277,792 | – | 1,277,792 |
| **Total comprehensive income attributable to owners of the parent** | – | – | – | **1,277,792** | – | **1,277,792** |
| **Balance at 31 December 2020** | **$3,106,795** | **$60,686,595** | **$2,136,539** | **$(39,330,770)** | **$(5,944,322)** | **$20,654,837** |

## CONSOLIDATED CASH FLOW STATEMENT

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 1,277,792 | 552,425 |
| Adjustments for: | | |
| Depreciation | 1,613,249 | 1,370,014 |
| Amortisation | 180,000 | 242,046 |
| Share-based payments | 148,178 | 219,668 |
| Finance expense | 1,663,027 | 2,668,426 |
| Finance income | (15,144) | (18,055) |
| Derivative liability | – | (392,835) |
| **Operating cash inflow before changes in working capital** | **4,867,102** | **4,641,689** |
| **Changes in working capital** | | |
| Decrease/(Increase) in trade and other receivables | 2,841,446 | (1,698,445) |
| (Increase) in inventories | (3,578,752) | (403,102) |
| (Decrease)/Increase in trade and other payables | (353,762) | 813,579 |
| **Net cash inflow from operating activities** | **3,776,034** | **3,353,721** |
| **Cash flows from investing activities** | | |
| Interest received | 15,144 | 18,055 |
| Acquisition of property, plant and equipment | (2,448,642) | (1,695,989) |
| Asset disposal proceeds | 4,468 | 81,006 |
| Investment | – | (900,000) |
| **Net cash outflow from investing activities** | **(2,429,030)** | **(2,496,928)** |
| **Cash flows from financing activities** | | |
| Issue of shares | – | 8,314,320 |
| Government loans received | 1,089,900 | – |
| Term loan notes repaid | (18,177,209) | (3,263,529) |
| Term loan drawn | 10,000,000 | – |
| Term loan repayments | (357,143) | – |
| Revolving loan facility drawn | 3,000,000 | – |
| Revolving loan facility net payments | (282,419) | – |
| Refinancing and arrangement fees paid | (675,701) | – |
| Interest paid | (1,055,134) | (1,628,227) |
| Lease payments | (125,856) | (81,362) |
| **Net cash (outflow)/inflow from financing activities** | **(6,583,562)** | **3,341,202** |
| **Net (decrease)/increase in cash and cash equivalents** | **(5,236,558)** | **4,197,995** |
| **Cash and cash equivalents at beginning of year** | **8,717,890** | **4,519,895** |
| **Cash and cash equivalents at end of year** | **\$3,481,332** | **\$8,717,890** |

## COMPANY BALANCE SHEET

| | Note | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment in subsidiary undertakings | 25 | 17,199,362 | 17,199,362 |
| **Total non-current assets** | | **17,199,362** | **17,199,362** |
| | | | |
| **Current assets** | | | |
| Due from subsidiaries | 25 | 21,712,095 | 35,541,091 |
| Trade and other receivables | 15 | 3,140 | 1,897 |
| Cash and cash equivalents | 17 | 59,983 | 822,748 |
| **Total current assets** | | **21,775,218** | **36,365,736** |
| **Total assets** | | **$38,974,580** | **$53,565,098** |
| | | | |
| **Equity and liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 201,803 | 142,413 |
| Term loan notes | 20 | – | 18,177,209 |
| **Total current liabilities** | | **201,803** | **18,319,622** |
| | | | |
| **Equity attributable to the owners of the parent** | | | |
| Issued share capital | 21 | 3,106,795 | 3,106,795 |
| Share premium | 21 | 60,686,595 | 60,686,595 |
| Share-based payment reserve | | 2,136,539 | 1,988,361 |
| Retained losses | | (21,397,811) | (24,776,934) |
| Foreign currency reserve | | (5,759,341) | (5,759,341) |
| **Total equity** | | **38,772,777** | **35,245,476** |
| **Total equity and liabilities** | | **$38,974,580** | **$53,565,098** |

The profit for the financial year dealt with in the financial statements of the parent company was $3,379,123 (2019 loss $3,099,794).

The financial statements on pages 41 to 77 were approved and authorised for issue by the Board and were signed on its behalf on 24 May 2021 .

**Dr. Thomas M Becker**
**Chief Executive Officer and President**
Company number: 05393357

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Share premium | Share based payment reserve | Retained losses | Foreign currency reserve | Total equity |
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 January 2019** | **$2,292,683** | **$48,991,647** | **$1,768,693** | **$(21,677,140)** | **$(5,759,341)** | **$25,616,542** |
| **Transactions with owners** | | | | | | |
| Issue of shares | 814,112 | 11,694,948 | – | – | – | 12,509,060 |
| Share-based expense | – | – | 219,668 | – | – | 219,668 |
| **Total transactions with owners** | **814,112** | **11,694,948** | **219,668** | **–** | **–** | **12,728,728** |
| **Loss attributable to owners of the parent** | – | – | – | (3,099,794) | – | (3,099,794) |
| **Total comprehensive income for the year** | **–** | **–** | **–** | (3,099,794) | **–** | **(3,099,794)** |
| **Balance at 31 December 2019** | **$3,106,795** | **$60,686,595** | **$1,988,361** | **$(24,776,934)** | **$(5,759,341)** | **$35,245,476** |
| **Transactions with owners** | | | | | | |
| Share-based expense | – | – | 148,178 | – | – | 148,178 |
| **Total transactions with owners** | – | – | **148,178** | **–** | **–** | **148,178** |
| **Profit attributable to owners of the parent** | – | – | – | **3,379,123** | **–** | **3,379,123** |
| **Total comprehensive income for the year** | **–** | **–** | **–** | | | |
| **Balance at 31 December 2020** | **$3,106,795** | **$60,686,595** | **$2,136,539** | **$(21,397,811)** | **$(5,759,341)** | **$38,772,777** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Accounting policies

The Company is a public limited company incorporated and domiciled in the United Kingdom. The Company is listed on the AIM Market of the London Stock Exchange.

The registered office is located at 48 Chancery Lane, London, WC2A 1JF. The principal activities of the Company have been and continue to be investment in subsidiaries engaged in the production of iodine and iodine derivatives, including the arrangement of finance for and the provision of management services to subsidiaries.

**a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRIC') as adopted by the European Union ('EU') and the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

**b) New standards and interpretations**

Management continues to evaluate standards, amendments and interpretations which are effective for reporting periods beginning after the date of these financial statements and have not been adopted early, including:

- Revised Conceptual Framework for Financial Reporting
- IAS1 and IAS8 (Amendment - Definition of Material)
- IFRS3 (Amendment - Definition of a Business)

Implementation of the above is not expected to have a material effect on the Group's financial statements.

**c) Basis of preparation of financial statements**

The financial statements have been prepared on the historical cost convention as modified by the revaluation of financial liabilities at fair value through profit and loss.

The financial statements are presented in US Dollars, which is also the Group's functional currency.

Amounts are rounded to the nearest US Dollar, unless otherwise stated.

As permitted by Section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements.

**d) Revenue recognition**

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services, and is recognized when performance obligations are satisfied under the terms of contracts with our customers. A performance obligation is deemed to be satisfied when transfer of benefit of the product or service is transferred to our customer. The transaction price of a contract, or the amount we expect to receive upon satisfaction of all performance obligations, is determined by reference to the contract's terms and includes adjustments, if applicable, for any variable consideration, such as customer rebates or commissions, although these adjustments are generally not material. Costs incurred to obtain contracts with customers are expensed immediately.

Revenue consists of sales of iodine derivatives, iodine, chemicals and ancillary products. All of our revenue is derived from contracts with customers, and almost all of our contracts with customers contain one performance obligation for the transfer of goods where such performance obligation is satisfied at a point in time. Transfer of benefit of a product is deemed to be transferred to the customer upon shipment or delivery. Significant portions of our sales are sold free on board shipping point or on an equivalent basis, while delivery terms of other transactions are based upon specific contractual arrangements. Our standard terms of delivery are generally included in our contracts of sale, order confirmation documents and invoices, while the timing between shipment and delivery generally ranges between 1 and 45 days. Costs for shipping and handling activities, whether performed before or after the customer obtains control of the goods, are accounted for as fulfillment costs.

Trade receivables at December 31, 2020 of $3,102,211 (2019 $5,491,493) represent all balances arising from contracts with customers.

**e) Research and development expenditures**

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase of a new customised chemical manufacturing process or development of a new iodine project are recognised as intangible assets provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. In 2020, all research and development expenditures were expensed as incurred.

**f) Going concern**

The Group's former Term Loan Notes of $18,177,209, due 1 July 2020, were repaid during the year. New financing totalling $13 million was arranged as set out in Note 20, of which $10 million is repayable over seven years and $3 million has a two year term. As disclosed in Note 27 the loans totalling $1.09m received by the Group under the Paycheck Protection Program were forgiven in full in January 2021. The size and maturities of the Group's debt obligations have therefore been greatly improved. Based on recent experience and market trends the Group does not expect the COVID-19 virus to have a material negative financial effect going forward. The Group also considers that recent shortfalls in brine supply from oil and gas operators can be mitigated to a significant extent. On that basis the Group has prepared forecasts and projections that indicate there are adequate resources to continue in operational existence for the foreseeable future. However, the Group recognises that there can be no certainty where these predictions are concerned. After due consideration of the foregoing, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

**g) Basis of consolidation and investments in subsidiary undertakings**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2020. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights. The acquisition method of accounting is used to account for the purchase of subsidiaries by the Group. On acquisition, the subsidiary's assets and liabilities are recorded at fair value, reflecting their condition at the date of acquisition.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements, unless the losses provide an indication of impairment of the assets transferred.

Amounts reported in the financial statements of the subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in subsidiary undertakings are stated in the parent company balance sheet at cost less provision for any impairment losses.

**h) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group's accounting policies. Acquisition costs are expensed as incurred.

Goodwill represents the excess of the fair value of consideration payable in a business combination over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over the fair value of consideration is recognised in profit or loss immediately after acquisition.

As desribed in Note 1m) below, goodwill is tested for impairment at least annually.

**i) Foreign currency**

The vast majority of the Group’s business is denominated in U.S. Dollars, which is the functional currency of the main operating subsidiaries. U.S. Dollars is the presentational currency for the Group financial statements.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit and loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of changes in equity, otherwise such gains and losses are recognised in profit and loss.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

• assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

• income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

• all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation for which the presentational and functional currencies were different in previous periods, the cumulative translation differences are transferred to profit and loss as part of the gain or loss on disposal. The US Dollar/Pounds Sterling exchange rate averaged 1.284 in 2020 (2019 1.277), and at 31 December 2020 was 1.365 (2019: 1.318).

**j) Intangible assets**

**Exploration and evaluation costs**

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred.

Once a legal right has been obtained, exploration and evaluation costs are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads.

Capitalised exploration costs are carried at historical cost less any impairment losses recognised. If an exploration project is successful, the related expenditures will be transferred to development assets and amortised over the estimated life of the reserves on a unit of production basis.

The recoverability of capitalised exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain the necessary financing to complete the development of reserves and future profitable production or proceeds from the disposal thereof.

**Undeveloped leasehold costs**

Undeveloped leasehold costs relate to the costs of acquiring brine leases in respect of the surface and mineral rights of landowners in areas of interest outside of those currently connected to the Group's operating plants.

These costs are capitalised as exploration and evaluation assets and are carried at historical cost less any impairment losses recognised. If areas leased provide brine to operating plants, the related costs are transferred to the relevant plants and amortized over the lives of those plants.

**Other intangible assets**

Other identifiable intangible assets arose from the acquisition of H&S Chemical in 2009. These assets were valued by an external, independent valuation firm. Based on the type of asset, the useful life of each asset was estimated. The value of each identifiable intangible asset is amortised evenly over its useful life. The following useful lives are applied:

- WET® patent: 15 years
- Customer relationships: 10 years
- Patent portfolio: 8 years
- EPA registrations: 2 years

Amortisation is included within administrative expenses.

**Goodwill**

Goodwill represents the excess of the fair value of consideration in a business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

**k) Property, plant and equipment**

Property, plant and equipment are stated at historical cost, net of depreciation and any provision for impairment. Cost includes purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, such as costs relating to construction, site preparation, installation and testing.

Costs relating to assets put into service at a later date are accumulated as construction in progress, and depreciation only commences once such assets are put into use.

Depreciation is provided at rates calculated to write off the depreciable amount of each asset on a straight line basis over its expected useful life, as follows:

- Buildings: 2.5 percent per annum
- Office lease: term of the lease (38 months)
- Equipment and machinery:
  - IOSorb plants - 5 percent per annum
  - Other plant and equipment – 5 to 7 years
  - Vehicles and office equipment - 20 percent per annum
  - Computer equipment - 33 percent per annum

Reviews of the estimated remaining lives and residual values of individual assets are made at least semi-annually, and adjustments are made where appropriate. Construction in progress is also reviewed for impairment.

Freehold land is not depreciated.

**l) Financial instruments**

**Financial liabilities**

**Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

**Loan notes**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest-bearing loans are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement, redemption or conversion, are recognised in profit or loss over the term of the instrument using the effective rate of interest.

Instruments where the holder has the option to redeem for cash or convert into a pre-determined quantity of equity shares are classified as compound instruments and presented partly as a liability and partly as equity.

Instruments where the holder has the option to redeem for cash or convert into a variable quantity of equity shares are classified separately as a loan and a derivative liability.

Where conversion results in a fixed number of equity shares, the fair value of the liability component at the date of issue is estimated using the prevailing market interest rate for a similar non-convertible instrument. The difference between the proceeds of issue and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity. Where conversion is likely to result in a variable quantity of equity shares the related derivative liability is valued and included in liabilities.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar nonconvertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

Derivative liabilities are revalued at fair value at the balance sheet date, and changes in the valuation amounts are credited or charged to the profit and loss account.

**Financial assets**

Cash and cash equivalents represent short term, highly liquid investments with an original maturity of fewer than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. At the end of 2020 and 2019, all cash amounts were in 100 percent liquid accounts.

The Group uses the ‘simplified method of expected credit losses’. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Expected credit losses are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

**m) Impairment**

Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, that asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances applies:

- i) unexpected geological occurrences that render the resource uneconomic;
- ii) title to the asset is compromised;
- iii) variations in prices that render the project uneconomic; or
- iv) variations in the currency of operation.

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combinations and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Intercompany loans due to the parent company from its subsidiaries are tested for impairment as part of the overall investment in those subsidiaries, by reference to the present values of estimated future cash flows of the subsidiaries, as further described in Note 2c.

**n) Equity**

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses for the share issue.
- “Share-based payment reserve” represents the cumulative fair value of options and warrants issued by the Company and recognised in profit and loss.
- "Retained losses" represents accumulated losses.
- "Foreign currency reserve" represents the cumulative differences arising from translation of foreign operations.

**o) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost excludes unrealised gains arising from intra-Group transactions. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. When inventory is sold the cost is included in Cost of Sales on the Statement of Comprehensive Income.

**p) Taxation**

Tax expense recognised in profit or loss is the tax currently payable based on taxable profit for the year and deferred tax not recognised directly in equity.

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward, as well as other income tax credits to the Group, are assessed for recognition as deferred tax assets according to the likelihood of their recoverability in the foreseeable future.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

**q) Leases**

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases. Under this model, the Group recognises a right-of-use asset and a lease liability on the balance sheet at the lease commencement date. The right-of-use asset is initially measured at cost. This comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and an estimate of any costs to restore the underlying asset to the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use-asset or the end of the lease term. Amounts relating to such assets are disclosed separately in note 12. In addition, the Group assess the right-of-use asset for impairment when such indicators exist.

At the commencement date, the lease liability is initially measured at the present value of the lease payments discounted using the Group’s incremental borrowing rate at the date of transition as the interest rate implicit in the lease could not be readily determined. Interest is charged at the same discount rate used to calculate the present value of the lease.

The lease liability is re-measured if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount for the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value operating value. These are charged to profit and loss on a straight-line basis over the period of the lease. At 31 December 2020 the Group had one lease, for office space.

**r) Share-based payments**

The cost of equity settled transactions is measured at fair value at the grant date as measured by use of the Black Scholes model. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to those estimated on vesting.

Charges made to profit or loss, in respect to share-based payments, are credited to the share-based payment reserve.

**s) Segment reporting (Note 3)**

In identifying its operating segments, management follows the Group's service lines, which represent the main products provided by the Group and are based on the information presented to the chief operating decision maker, which is the Board.

## 2. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

The critical estimates made in the preparation of the financial statements are set out below. The resulting accounting estimate may not equal the related actual result, and management must also make judgements about current circumstances and expectations of future events. Significant judgements made by management include:

a. Intangible and tangible assets are tested for impairment where there is an indication that they may be impaired. In accordance with IAS 36 - Impairment of Assets, an intangible or tangible asset is considered impaired when its carrying amount exceeds its recoverable amount on an individual cash generating unit basis. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance. In carrying out impairment testing, management will make a number of significant estimates in relation to the assumptions incorporated into their calculations. These will include factors such as growth rates and discount rates. Details and carrying values of intangible assets, goodwill and property, plant and equipment are provided in notes 10, 11 and 12.

b. Management reviews the useful lives of depreciable and amortisable assets at each reporting date. The carrying amounts are analysed in notes 10 and 12. Management’s estimate of the useful lives of plant and equipment as detailed in note 1k are common life expectancies for the industry. In particular, the expected useful life attributed to each IOsorb® plant is 20 years. Changes in the expected level of usage or other technological developments could impact the life and residual value of these assets.

c. The initial carrying amount of the parent company’s investment in its subsidiaries of $33.6m (2019: $52.7M), net of an existing impairment provision of $5.3m, has been evaluated for impairment. For this purpose the two operating subsidiaries have been treated as one unit, given the vertical integration of the Group’s operating activities. The carrying amount of the parent company’s investment of $33.6m (2019: $52.7M) compares to carrying amounts of the subsidiaries’ net assets, excluding loans from the parent company, of $20.8m (2019: $36.9m). An assessment has been made of the present values of the future cash flows related to the operating activities of the subsidiaries to determine whether any impairment losses should be recognised. The Group has concluded that it is appropriate to reverse the impairment provision of $5.3m that was established in 2017.

**d.** Management receives periodic operational reports on the progress of the production of hemp seeds by Organic Vines OP LLC. Based on these reports management considers the appropriate fair value of the investment to be the $900,000 invested.

### 3. Segment reporting

a. **Business segments -** The Group's operations comprise the exploration and production of iodine with complete vertical integration into its specialty chemical halogen derivatives business, and are therefore considered to fall within one business segment. In November 2019 the Group made an investment of $900,000 in Organic Vines OP LLC, which was engaged in the production of hemp seeds (see Note 16), and also purchased hemp biomass that had a carrying value of $113,965 in inventory at 31 December 2019 and was impaired to Nil during 2020. There was no trading activity in these items during 2019 or 2020, and therefore segment reporting below is limited to the separate recognition of the assets.

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| **Assets** | | |
| Halogen Derivatives and Iodine | 38,934,005 | 42,668,366 |
| Hemp seeds | 900,000 | 900,000 |
| Hemp biomass | – | 113,965 |
| **Total** | **$39,834,005** | **$43,682,331** |
| | | |
| **Liabilities** | | |
| Halogen Derivatives and Iodine | 19,179,168 | 24,453,464 |
| **Total** | **$19,179,168** | **$24,453,464** |

b. **Geographical segments -** The Group reports by geographical segment. The Group's activities are related to exploration for, and development of, iodine in certain areas of the USA and the manufacturing of specialty chemicals in the USA with support provided by the UK office. In presenting information on the basis of geographical segments, segment assets and the cost of acquiring them are based on the geographical location of the assets.

## 3. Segment reporting (continued)

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| **Assets** | | |
| UK | 63,121 | 824,645 |
| USA | 39,809,474 | 42,857,686 |
| **Total** | **$39,834,005** | **$43,682,331** |
| | | |
| **Liabilities** | | |
| UK | 201,800 | 18,319,622 |
| USA | 18,977,368 | 6,133,842 |
| **Total** | **$19,179,168** | **$24,453,464** |
| | | |
| **Revenue** | | |
| North America | 13,842,558 | 14,024,475 |
| Asia | 13,523,580 | 12,919,398 |
| South America | 1,748,846 | 1,782,450 |
| Europe | 550,278 | 473,022 |
| Other | 22,288 | 45,883 |
| **Total** | **$29,687,550** | **$29,245,228** |

**c. Significant customers -** Iofina Chemical had three customers in excess of 5% of sales in 2020. One customer represented 15 per cent of sales, one accounted for 9 per cent of sales, and another for 6 percent of sales. In 2019, one customer represented 15 percent of sales and four others each accounted for 6 percent of sales.

## 4. Profit before taxation

**Profit before taxation is stated after charging:**

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| Depreciation expense | 1,613,249 | 1,370,014 |
| Amortisation expense | 180,000 | 242,046 |
| | | |
| Other: | | |
| Annual audit fees for audit of parent company and consolidated financial statements | 79,233 | 73,256 |
| Fees payable to the company's auditor for other services | 3,930 | 6,873 |

## 4. Profit before taxation (continued)

**Cost of sales – analysis by nature**

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| Raw materials | 9,710,869 | 9,649,838 |
| Freight | 891,002 | 819,183 |
| Sales commission | 256,719 | 226,339 |
| Labour, manufacturing overhead and royalties | 10,424,354 | 10,304,415 |
| | **$21,282,945** | **$20,999,775** |

**Administrative expenses – analysis by nature**

| | Year ended **31 December 2020 $** | Year ended **31 December 2019 $** |
|---|---|---|
| Remuneration and benefits | 2,518,251 | 2,469,198 |
| Share-based payments | 148,178 | 219,668 |
| Office expenses | 196,589 | 192,741 |
| Professional services | 578,651 | 607,788 |
| Travel | 69,451 | 194,195 |
| Rent | (36,728) | (23,032) |
| Other | 211,290 | 162,874 |
| Depreciation | 1,613,249 | 1,370,014 |
| Amortisation | 180,000 | 242,046 |
| | **$5,478,931** | **$5,435,492** |

Research and development expenses recognised during the period were $279,151 (2019: $265,827), and are included in administrative expenses above.

## 5. Staff numbers and costs

The average number of Group employees, including executive directors, and their costs were:

| | Year ended 31 December 2020 Number | Year ended 31 December 2019 Number |
|---|---|---|
| Production | 81 | 68 |
| Administrative | 14 | 13 |
| Sales | 1 | 1 |
| **Total staff** | **96** | **82** |

## 5. Staff numbers and costs (continued)

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| Wages and salaries | 6,227,343 | 5,363,252 |
| Social security costs | 902,723 | 932,117 |
| | **$7,130,066** | **$6,295,369** |

Of the total staff costs above, $4,800,244 (2019: $3,992,101) is included within cost of sales and $2,329,821 (2019: $2,303,268) is included within administrative expenses.

Payments to executive directors and senior officers of subsidiaries (considered to be key management personnel) for their services during the year were as follows:

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| Wages and salaries | 906,722 | 870,304 |
| Social security costs | 95,892 | 102,311 |
| Total directors' cost | **$1,002,614** | **$972,615** |

Included within wages and salaries above is $286,400 (2019: $275,600) in respect of the highest paid director. No options were exercised by a director in 2020.

## 6. Finance expense

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| **Debt restructure 29 March 2019** | | |
| Term loan notes interest paid | 949,016 | 1,629,874 |
| Arrangement fees | 84,071 | 196,097 |
| **Bank facilities 16 September 2020** | | |
| Term loan interest | 113,840 | – |
| Revolving loan facility interest | 24,182 | – |
| Interest swap liability | 69,314 | – |
| Refinancing fees | 395,533 | – |
| Other interest payable | 9,155 | – |
| IFRS16 lease interest | 17,915 | 20,806 |
| Amortisation of discount on September 2016 convertible loan notes | – | 821,649 |
| **Total finance expense** | **$1,663,027** | **$2,668,426** |

## 7. Finance income

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| Interest income | 15,145 | 18,055 |
| | **$15,145** | **$18,055** |

## 8. Taxation

| | Year ended 31 December 2020 $ | Year ended 31 December 2019 $ |
|---|---|---|
| **Tax reconciliation:** | | |
| Profit on ordinary activities before tax | 1,277,792 | 552,425 |
| Tax at UK income tax rate of 19.00% (2019: 19.00%) | 242,780 | 104,961 |
| **Effects of:** | | |
| Temporary differences | 323,480 | 176,308 |
| Permanent differences | 28,581 | 43,032 |
| Losses not recognised for deferred tax purposes | (594,841) | (324,301) |
| **Total tax charge/(credit)** | – | – |

The Group has accumulated US tax losses of approximately $24,000,000 (2019: $27,000,000) that may be deductible from future taxable profits subject to agreement with the relevant tax authorities. To the extent tax losses are not utilised to offset current income taxes they will begin to expire in 2029.

A deferred tax asset has not been recognised in respect of losses due to uncertainty over the timing of the recovery of these tax losses.

## 9. Earnings per share

The calculation of earnings per ordinary share is based on the profit attributable to shareholders of $1,277,792 (2019 profit $552,425) and the weighted average number of ordinary shares outstanding of 191,858,408 (2019: 162,972,387). After including the weighted average effect of dilutive share options of 2,030,649 (2019: 3,393,864) and convertible notes of Nil (2019: 15,812,487) the diluted weighted average number of ordinary shares outstanding was 193,889,057 (2019: 182,178,738).

## 10. Intangible assets (Group)

| | Exploration & Evaluation Assets<br>Montana Atlantis Field | Other intangible assets (see below) | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| **At 1 January 2019** | 3,358,405 | 3,843,671 | 7,202,076 |
| Additions | – | – | – |
| **At 31 December 2019** | 3,358,405 | 3,843,671 | 7,202,076 |
| Disposals | (3,358,405) | (25,000) | (3,383,407) |
| **At 31 December 2020** | – | **$3,818,671** | **$3,818,671** |
| | | | |
| **Accumulated amortization** | | | |
| **At 1 January 2019** | 3,358,405 | 2,779,029 | 6,137,434 |
| Charge for the year | – | 242,046 | 242,046 |
| **At 31 December 2019** | 3,358,405 | 3,021,075 | 6,379,480 |
| Charge for the year | – | 180,000 | 180,000 |
| Disposals | (3,358,405) | (25,000) | (3,383,407) |
| **At 31 December 2020** | – | **$3,176,075** | **$3,176,075** |
| | | | |
| **Carrying amounts** | | | |
| At 31 December 2018 | – | 1,064,642 | 1,064,642 |
| At 31 December 2019 | – | $822,596 | $822,596 |
| **At 31 December 2020** | – | **$642,596** | **$642,596** |

Details of other intangible assets are set out below.

| **Other intangible assets** | WET® patent | Customer relationships | Patent portfolio | EPA registrations | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Cost** | | | | | |
| **At 1 January 2019 and 31 December 2019** | **$2,700,000** | **$660,671** | **$212,000** | **$271,000** | **$3,843,671** |
| Disposals | – | – | (25,000) | – | (25,000) |
| **At 31 December 2020** | **$2,700,000** | **$660,671** | **$187,000** | **$271,000** | **$3,818,671** |
| **Accumulated amortization** | | | | | |
| **At 1 January 2019** | 1,697,404 | 623,625 | 187,000 | 271,000 | 2,779,029 |
| Charge for the year | 180,000 | 37,046 | 25,000 | - | 242,046 |
| **At 31 December 2019** | 1,877,404 | 660,671 | 212,000 | 271,000 | 3,021,075 |
| Charge for the year | 180,000 | – | – | - | 180,000 |
| Disposals | – | – | (25,000) | – | (25,000) |
| **At 31 December 2020** | **$2,057,404** | **$660,671** | **$187,000** | **$271,000** | **$3,176,075** |
| **Carrying amounts** | | | | | |
| At 31 December 2018 | 1,002,596 | 37,046 | 25,000 | – | 1,064,642 |
| At 31 December 2019 | 822,596 | – | – | – | 822,596 |
| **At 31 December 2020** | **$642,596** | **–** | **–** | **–** | **$642,596** |

Other intangible assets were acquired in the acquisition of H&S Chemical in 2009.

**Montana Atlantis Field**

Intangible assets with a cost of $3,358,405 relating to the Montana Atlantis Field were 100% depreciated in prior years to a net carrying amount of Nil. A disposal of these assets has now been recorded as the abandonment of the Montana site was materially completed in 2020.

**WET® Patent**

The WET® Patent technology employs two different iodine extraction methods depending on brine chemistry for optimal efficiency. We utilised a with and without analysis, a variation of the discounted cash-flow method, to estimate the fair value of a WET® Patent at date of acquisition. The methodology compared the cash flow generating capacity of Iofina Chemical assuming it was operating without the benefit of the WET® Patent to the projected cash flow with the benefit of the patent. The contractual life of the patent is in excess of 20 years; however, the useful life of the patent was estimated at 15 years based on the following:

- Management's expectation for the expected viability of the technology
- Management's expectations regarding the timing of significant substitute technology
- The lack of comparable substitute technologies as of the valuation date
- The remaining amortization period is 3.5 years

**Patent portfolio**

This includes all patents held by Iofina Chemical related to the production of its iodine derivatives, specifically IPBC. The fair value of the general patent portfolio was estimated using the relief from royalty cash-flow methodology of the income approach. Based on our search for technology licensing agreements in the marketplace, we determined that a royalty rate of 1.5 percent was appropriate. An 8 year life was applied to the patent portfolio based on the historical life of the portfolio as well as the intended future use of the asset.

## 11. Goodwill (Group)

| | |
|---|---|
| **Carrying amounts** | |
| At 31 December 2018, 31 December 2019 and 31 December 2020 | **$3,087,251** |

Goodwill arose on the acquisition of H&S Chemical in 2009 and is wholly allocated to the Iofina Chemical cash generating unit of the Group. Goodwill impairment testing is conducted annually, based on projected cash flow to be generated.

The Chemical business has been in operation for 35 years, and much of its products and customer base are long established. For impairment testing, a long term growth rate of 1.00% per annum was applied to budgeted cash flows and a discount rate of 10.71% per annum was used. On this basis the net present value of cash flow exceeded the goodwill amount of $3,087,251.

## 11. Goodwill (Group) (continued)

### Sensitivity analysis

Projections based on the above assumptions show headroom of $7.1m between the value in use of the business net of other assets of $27.8m and the carrying value of $20.7m, comprising goodwill of $3.1m, other intangible assets of $0.64m, and net business trading assets of $16.9m. In order for the value in use to equal the carrying value it would be necessary for the discount rate to rise to 16.2% or the long term growth rate to be 5.4% negative or projected EBITDA to be lower by 22.6%. Based on the results of this impairment testing management are satisfied that a reasonably possible change in assumption would not lead to an impairment.

## 12. Property, plant and equipment (Group)

| | **Exploration and Evaluation Assets** | | | | | |
|---|---|---|---|---|---|---|
| | **Montana Atlantis Field** | **Freehold Land** | **Buildings** | **Equipment and Machinery** | **Construction in Progress** | **Total** |
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| **At 1 January 2019** | 5,841,415 | 209,000 | 1,665,909 | 26,141,813 | 378,973 | 34,237,110 |
| Additions | – | – | 407,670 | 181,891 | 1,461,075 | 2,050,636 |
| **At 31 December 2019** | 5,841,415 | 209,000 | 2,073,579 | 26,323,704 | 1,840,048 | 36,287,746 |
| Transfers | – | – | – | 3,466,020 | (3,466,020) | – |
| Additions | – | – | 10,770 | 175,704 | 2,262,168 | 2,448,642 |
| Disposals | (5,605,436) | – | – | (4,901,010) | – | (10,506,446) |
| **At 31 December 2020** | **$235,979** | **$209,000** | **$2,084,349** | **$25,064,418** | **$636,195** | **$28,229,940** |
| | | | | | | |
| **Accumulated depreciation and impairment** | | | | | | |
| **At 1 January 2019** | 5,521,415 | – | 380,084 | 10,984,353 | – | 16,885,852 |
| Impairment | 81,006 | – | – | | – | 81,006 |
| Charges for the year | – | – | 147,992 | 1,222,022 | – | 1,370,014 |
| **At 31 December 2019** | 5,602,421 | – | 528,076 | 12,206,375 | – | 18,336,872 |
| Charges for the year | – | – | 168,959 | 1,444,289 | – | 1,613,249 |
| Disposals | (5,602,421) | – | – | (4,899,563) | | (10,501,984) |
| **At 31 December 2020** | – | **–** | **$697,036** | **$8,751,101** | **–** | **$9,448,137** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| **At 31 December 2018** | 320,000 | 209,000 | 1,285,825 | 15,157,460 | 378,973 | 17,351,258 |
| **At 31 December 2019** | 238,994 | 209,000 | 1,545,503 | 14,117,329 | 1,840,048 | 17,950,874 |
| **At 31 December 2020** | **$235,979** | **$209,000** | **$1,387,313** | **$16,313,317** | **$636,195** | **$18,781,803** |

## 12. Property, plant and equipment (Group) (continued)

**Right-of-use assets**

With effect from 1 January 2019 the Group has appled IFRS 16 “Leases” to its lease on office premises in Denver, Colorado. The lease runs from 1 March 2019 to 30 April 2022, and an amount of $354,648 has been capitalised as a right-of-use asset in the category of Buildings. The amount capitalised represents the amount of rentals and associated payments over the term of the lease discounted at a rate of 7.5%. Depreciation is charged on a straight line basis at a rate of $111,994 per annum, and notional interest is accrued based on a 7.5% amortisation rate. Depreciation charged for 2020 was $111,994 (2019 $93,328) and interest accrued was $17,915 (2019 $20,807). Lease liabilities due within and after one year are shown in Note 19, and represent lease payments due over those periods net of interest to be charged. There is an option to extend the lease, but it is considered unlikely that the option will be exercised.

**Montana Atlantis Field**

Tangible assets with a cost of $5,841,415 relating to the Montana Atlantis Field have been depreciated to a net carrying amount of $235,979, representing the estimated net sale value of a residual property. A disposal of Montana Atlantis Field assets with a cost of $5,602,421 and a net carrying value of Nil has now been recorded as the abandonment of the Montana site was materially completed in 2020. Since 31 December 2020 the property has been disposed of for net proceeds of $255,308.

**Equipment and Machinery**

Assets of Iofina Resources, Inc. with a cost of $4,835,077 and a carrying value of Nil, relating to sites that are no longer operational, have been treated as disposals in 2020. These assets had been fully depreciated in previous years.

## 13. Inventories

| Group | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| Raw materials | 6,588,439 | 4,360,028 |
| Work in progress | 2,813,011 | 1,414,766 |
| Finished goods | 254,569 | 302,476 |
| | **$9,656,019** | **$6,077,270** |

At year end, there were no provisions against the carrying value of inventories (2019: nil). During the year, the cost of inventories recognised as expense and included in ‘cost of sales’ amounted to $20,135,223 (2019: $19,954,253).

## 14. Financial instruments

The Board of directors determines, as required, the degree to which it is appropriate to use financial instruments to mitigate risks. The main risks for which such instruments may be appropriate are interest rate risk, foreign currency risk, credit risk, investment risk, liquidity risk and commodity risk. The Group's principal financial asset is cash, which is invested with major banks. The Group has a term loan and a revolving loan facility and no other borrowings.

## 14. Financial instruments (continued)

### Financial assets and liabilities

**Group**

| 2020 | Loans and receivables at amortised cost $ | Financial liabilities at amortised cost $ | Investment and swap liability at fair value $ | Total $ |
|---|---|---|---|---|
| Cash and cash equivalents | 3,481,332 | | | 3,481,332 |
| Trade receivables | 3,102,211 | | | 3,102,211 |
| Investment | | | 900,000 | 900,000 |
| | | | | **$7,483,543** |
| Trade payables | | 1,194,392 | | 1,194,392 |
| Accrued liabilities | | 4,278,973 | | 4,278,973 |
| Lease liabilities | | 186,151 | | 186,151 |
| Term loan | | 9,642,857 | | 9,642,857 |
| Revolving loan facility | | 2,717,581 | | 2,717,581 |
| Government subsidies | | 1,089,900 | | 1,089,900 |
| Interest rate swap liability | | | 69,314 | 69,314 |
| | | | | **$19,179,168** |
| **2019** | | | | |
| Cash and cash equivalents | 8,717,890 | | | 8,717,890 |
| Trade receivables | 5,491,493 | | | 5,491,493 |
| Investment | | | 900,000 | 900,000 |
| | | | | **$15,109,383** |
| Trade payables | | 1,459,723 | | 1,459,723 |
| Accrued liabilities | | 4,522,439 | | 4,522,439 |
| Lease liabilities | | 294,093 | | 294,093 |
| Term loan notes | | 18,177,207 | | 18,177,207 |
| | | | | **$24,453,462** |

**Company**

| 2020 | Loans and receivables at amortised cost $ | Financial liabilities at amortised cost $ | Total $ |
|---|---|---|---|
| Cash and cash equivalents | 59,983 | | 59,983 |
| Other receivables | 3,138 | | 3,138 |
| Due from subsidiaries | 21,712,094 | | 21,712,094 |
| | | | **$21,775,216** |
| Accruals | | 201,803 | 201,803 |
| | | | **$201,803** |
| **2019** | | | |
| Cash and cash equivalents | 822,748 | | 822,748 |
| Other receivables | 1,897 | | 1,897 |
| Due from subsidiaries | 35,541,091 | | 35,541,091 |
| | | | **$36,365,736** |
| Accruals | | 142,413 | 142,413 |
| Term loan notes | | 18,177,209 | 18,177,209 |
| | | | **$18,319,622** |

## 14. Financial instruments (continued)

The interest rate swap liability at fair value is valued on the basis of Level 2 inputs as defined in IFRS 13.

### Interest rate risk

Surplus funds are held within the Group's checking and savings accounts. The benefit of fixing rates for the longer term is kept under review, having regard to forecast cash requirements and the levels of return available. Given the short term nature of Iofina's surplus funds, the Group has limited interest rate risk. As of 31 December 2020, all surplus funds were invested in checking and savings accounts that had no terms and were 100% liquid. Bank facilities have variable interest rate terms and therefore there is an exposure to increases in interest rates. This is mitigated by the use of an interest rate swap to fix the rate on the majority of the term loan. Also the interest on the revolving credit facility is reduced by arrangements to sweep surplus funds into that account.

### Foreign currency risk

The Group has potential transactional currency exposure in respect of items denominated in foreign currencies relating to the Group's administration in the UK. The balance of cash held in foreign currency was $59,983 (GBP 44,432) as of year-end, and provides a hedge against GBP denominated UK expenses.

Sales transactions are denominated in US Dollars, which is the operating currency. Other impacts of foreign currency risk are not deemed material to these financial statements.

### Credit risk

The maximum exposure is reflected by the carrying amount of financial assets. Because the counterparties to Iofina's holdings of cash and cash equivalents are prime financial institutions, Iofina does not expect any counterparty to fail to meet its obligations. Additionally, the Group is exposed to marginal credit risk in the form of receivables for product sales. Credit risk in this regard is mitigated through long-term customer payment history, extensive credit analysis of large purchasers, use of letters of credit, and the requirement for partial or total payment prior to shipment for some customers.

### Investment risk

There is a risk that short term investments may not realise their carrying value. At 31 December 2020 the Group held an investment of $900,000 as set out in Note 16. Recovery of this investment is dependent on the returns generated by the underlying project.

### Liquidity risk

The Group raises funds as required on the basis of forecast expenditure and cash inflows over the next 12 months. When necessary, the scope and rate of activity are adjusted to take account of the funds available. There is a risk that the Group may not be able to raise sufficient funds to repay loans at their maturity. The current situation in that regard is discussed in Note 1f.

### 14. Financial instruments (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

| Group<br>At 31 December 2020: | Up to 3 months<br>$ | Between 3 and 12 months<br>$ | Between 1 and 2 years<br>$ | Between 2 and 7 years<br>$ |
|---|---|---|---|---|
| Trade payables | 1,194,392 | – | – | – |
| Accrued liabilities | 1,234,387 | 3,044,585 | – | – |
| Lease liabilities | – | 140,650 | 45,501 | – |
| Term loan | 357,143 | 1,071,429 | 1,428,571 | 6,785,714 |
| Revolving loan facility | – | – | 2,717,581 | – |
| | **$2,785,922** | **$4,256,664** | **$4,191,653** | **$6,785,714** |

| Group<br>At 31 December 2019: | Up to 3 months<br>$ | Between 3 and 12 months<br>$ | Between 1 and 2 years<br>$ | Between 2 and 7 years<br>$ |
|---|---|---|---|---|
| Trade payables | 1,459,723 | – | – | – |
| Accrued liabilities | 1,336,855 | 3,185,584 | – | – |
| Lease liabilities | – | 119,926 | 174,167 | – |
| Term loan notes | – | 18,177,207 | – | – |
| | **$2,796,578** | **$21,482,717** | **$174,167** | – |

**Commodity risk**

The Group is exposed to movements in the price of raw iodine. Sales of iodine based products were $18,506,546 (2019: $20,094,135). The effects of changes in the price of iodine on 2020 revenue and profits are set out in the Financial Review on page 7. Iodine is produced internally and is the most significant cost component for iodine based products.

### 15. Trade and other receivables Group

| | 31 December 2020<br>$ | 31 December 2019<br>$ |
|---|---|---|
| Trade receivables | 3,102,211 | 5,491,493 |
| Prepayments and other receivables | 182,793 | 634,957 |
| | **$3,285,004** | **$6,126,450** |

**Company**

| | 31 December 2020<br>$ | 31 December 2019<br>$ |
|---|---|---|
| Prepayments and other receivables | 3,140 | 1,897 |
| | **$3,140** | **$1,897** |

## 15. Trade and other receivables (continued)

All receivables and prepayments are short term in nature. The carrying values are considered a reasonable approximation of fair value. There are no expected credit losses.

The Group and the Company have not received a pledge of any assets as collateral for any receivable or asset.

## 16. Investment

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| Investment in Organic Vines Op LLC | 900,000 | 900,000 |
| | **$900,000** | **$900,000** |

In November 2019 the Group invested $900,000 through its subsidiary IofinaEX Inc. in 900,000 non-voting Class C Units of Organic Vines OP LLC, a Limited Liability Company registered in Colorado. The company is controlled by the Group's chairman Lance Baller, and has produced over 22 million organically certified hemp seeds. It is believed that these seeds will be sold for a profit, but the timeframe for disposals is currently unkown. The Class C Units have first call on the distribution of revenue up to a maximum of three times the amount invested and no further entitlement thereafter.

## 17. Cash and cash equivalents

**Group**

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| Cash in US Dollar accounts | 3,421,349 | 7,895,142 |
| Cash in GB Pound Sterling accounts | 59,983 | 822,748 |
| | **$3,481,332** | **$8,717,890** |

**Company**

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| Cash in GB Pound Sterling accounts | 59,983 | 822,748 |
| | **$59,983** | **$822,748** |

## 18. Trade and other payables

**Group**

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| Trade payables | 1,194,392 | 1,459,723 |
| Accrued expenses and deferred income | 4,278,973 | 4,522,439 |
| | **$5,473,365** | **$5,982,162** |

**Company**

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| Accrued expenses | 201,803 | 142,413 |
| | **$201,803** | **$142,413** |

All trade and other payables are considered short term. The carrying values are considered to be a reasonable approximation of fair value.

Except as regards the term loans, the Group and Company have not pledged any assets as collateral for any liabilities or contingent liabilities.

## 19. Lease liabilities

| | 31 December 2020 $ | 31 December 2019 $ |
|---|---|---|
| Lease liabilities – current | 140,650 | 119,926 |
| Lease liabilities – non-current | 45,501 | 174,167 |
| | **$186,151** | **$294,093** |

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate on commencement of the lease. Lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

## 20. Term loans and Revolving loan facility

| | 2019 Term loans $ | 2020 Term loan $ | 2020 Revolving loan facility $ |
|---|---|---|---|
| **At 1 January 2019** | 3,263,529 | | |
| Convertible loan notes restructured as term loans | 22,371,946 | | |
| **At 29 March 2019** | 25,635,475 | | |
| Debt for equity conversion 14 June 2019 | (4,194,737) | | |
| Term loan repaid 20 June 2019 | (3,263,529) | | |
| **At 31 December 2019** | **$18,177,209** | | |
| Repaid 30 June 2020 | (2,726,581) | | |
| Repaid 16 September 2020 | (15,450,628) | | |
| | | | |
| **First Financial Bank Facilities:** | | | |
| Term loan drawn 16 September 2020 | | 10,000,000 | |
| Revolving loan facility drawn 16 September 2020 | | | 3,000,000 |
| Term loan instalment repayments | | (357,143) | |
| Revolving loan facility net payments | | | (282,419) |
| **At 31 December 2020** | **–** | **$9,642,857** | **$2,717,581** |
| | | | |
| **Due within one year** | **–** | **$1,428,571** | **–** |
| **Due after one year** | **–** | **$8,214,286** | **$2,717,581** |

At the end of June 2020, the Group repaid 15% of debt outstanding, amounting to $2.73 million. In September 2020, the Group completed the refinancing of all its then outstanding debt of $15.45 million. Fully secured facilities of a 7-year $10 million term loan and a 2 year revolving line of credit of up to $8 million have been provided by First Financial Bank, Ohio. The total amount drawn on completion was $13 million, representing the term loan of $10 million and $3 million relating to the revolving line of credit. With the addition of $2.45 million from the Group's cash resources the existing debt balance of $15.45 million was repaid in full, together with accrued interest. The principal terms applying to the new facilities are:

a) The $10 million term loan is repayable in full by equal monthly instalments over the 7 years to 30 September 2027. There are accelerated repayments based on 25% of 2021 and 2022 surpluses of EBITDA over the total of capital expenditure and debt payments of principal and interest, payments to be made on 30 June 2022 and 2023 respectively. The interest rate on $7 million of the loan has been fixed to maturity by a swap contract at 3.99%, and the interest rate on the balance is variable monthly at 2.50% above LIBOR, subject to a minimum LIBOR rate of 1.00%, and is currently 3.50%. Repayment of all or part of the loan may be made at any time, subject to the cost or benefit of unwinding the swap contract. At 31 December 2020 the amount outstanding after instalment payments was $9.64 million.

b) The $8 million revolving line of credit has a 2 year term and may be drawn and repaid in variable amounts at the Group's discretion, with the amount available at closing being fixed at $3 million. Amounts that may be drawn are subject to a borrowing base of sufficient eligible discounted monthly values of receivables and inventory, and compliance on a quarterly basis with trailing 12 months financial covenant ratios of 1) a maximum multiple of 2.5 total debt to EBITDA, and 2) a minimum

## 20. Term loans and Revolving loan facility (continued)

multiple of 1.2 EBITDA net of capital expenditure to the total of principal and interest payments on the total debt. The interest rate is variable monthly at 2.25% above LIBOR, subject to a minimum LIBOR rate of 1.00%, and is currently 3.25%. At 31 December the amount outstanding after net payments was $2.72 million.

The swap contract described above has been valued by reference to market expectations for future LIBOR rates, and a liability of $69,314 has been recognised and charged to finance expense (Note 6). The actual cost of the swap from its inception on 17 September 2020 to 31 December 2020 was $9,986.

## 21. Share capital

| | | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Authorised: | | | |
| Ordinary shares of £0.01 each | - number of shares | 1,000,000,000 | 1,000,000,000 |
| | - nominal value | £10,000,000 | £10,000,000 |
| | | | |
| Allotted, called up and fully paid: | | | |
| Ordinary shares of £0.01 each | - number of shares | 191,858,408 | 191,858,408 |
| | - nominal value | £1,918,584 | £1,918,584 |

There was no change in share capital in 2020. Movements in share capital during 2019 were as follows:

| | Shares issued | Nominal value | Share premium |
|---|---|---|---|
| | | $ | $ |
| **At 1 January 2019** | **127,569,398** | **$2,292,683** | **$48,991,647** |
| Issue of shares: | | | |
| - for cash | 43,839,655 | 551,941 | 8,279,119 |
| -on conversion of loan notes | 20,449,355 | 262,171 | 3,932,569 |
| Expenses of issue | - | - | (516,740) |
| **At 31 December 2019 & 2020** | **191,858,408** | **$3,106,795** | **$60,686,595** |

On 14 June 2019 43,839,655 ordinary shares of £0.01 each were issued at a price of 16p per share for a total gross consideration of £7,014,345 ($8,831,060). The shares issued comprised 33,804,375 placing shares, 570,625 directors' subscription shares, and 9,464,655 open offer shares.

On 14 June 2019 20,449,355 ordinary shares of £0.01 each were also issued at a price of 16p per share for a total gross consideration of £3,271,897 ($4,194,737). These shares were issued as consideration for the conversion of $4,194,737 term loan into equity of the company.

## 22. Share based payments

On 16 December 2020 options over 1,232,450 ordinary shares of the Company, representing 0.64% of the Company's issued share capital at that date, were granted to directors and key management personnel. The options are exercisable at the closing share price on 16 December 2020 of 12.5p per share, with 50% vesting after one year on 16 December 2021 and 50% vesting after two years on 16 December 2022. The options expire ten years from the date of grant.

The above options were valued using the Black Scholes model and the exercise price of 12.50p, an expected term of 5.75 years, historical volatility of 88.11% and a risk free rate of 0.51%. The resulting valuation of $148,218 is being amortised over the vesting periods, and $4,568 has been charged as an expense in respect of the period from 16 December to 31 December 2020.

Details of options outstanding at 31 December 2020 are as follows:

| Date of Grant | Number of Options | Vesting Date | Share Price £ | Exercise Price £ | Exercise Price 2020 $ | Exercise Price 2019 $ |
|---|---|---|---|---|---|---|
| 2 July 2011 | 985,000 | 2 July 2012 | 0.300 | 0.300 | 0.41 | 0.40 |
| 13 June 2018 | 990,000 | 13 June 2019 | 0.162 | 0.162 | 0.22 | 0.21 |
| 13 June 2018 | 990,000 | 13 June 2020 | 0.162 | 0.162 | 0.22 | 0.21 |
| 25 July 2019 | 492,250 | 25 July 2020 | 0.213 | 0.213 | 0.29 | 0.28 |
| 25 July 2019 | 492,250 | 25 July 2021 | 0.213 | 0.213 | 0.29 | 0.28 |
| 16 December 20 | 616,225 | 16 December 21 | 0.125 | 0.125 | 0.17 | – |
| 16 December 20 | 616,225 | 16 December 22 | 0.125 | 0.125 | 0.17 | – |
| **Weighted average** | **5,181,950** | | **£0.19** | **£0.19** | **$0.26** | **$0.28** |

The weighted average contractual life of options outstanding at 31 December 2020 was 6.9 years (2019 7.0 years).

Exercise prices shown in USD are based on the US Dollar/Pounds Sterling exchange rate at 31 December 2020 of 1.365 (2019 1.318). Options outstanding at 31 December 2020 expire the earlier of ten years from grant date or 90 days after the termination of service to the Company.

| | Weighted average exercise price £ | Weighted average exercise price $ | 2020 Number of Options | Weighted average exercise price £ | Weighted average exercise price $ | 2019 Number of Options |
|---|---|---|---|---|---|---|
| **Options outstanding** | | | | | | |
| At 1 January | **£0.21** | **$0.28** | **3,949,500** | **£0.21** | **$0.27** | **2,965,000** |
| Granted during the year | £0.125 | $0.17 | 1,232,450 | £0.21 | $0.28 | 984,500 |
| At 31 December | **£0.19** | **$0.26** | **5,181,950** | **£0.21** | **$0.28** | **3,949,500** |
| **Options exercisable** | | | | | | |
| At 1 January | **£0.23** | **$0.30** | **1,975,000** | **£0.30** | **$0.38** | **985,000** |
| At 31 December | **£0.21** | **$0.28** | **3,457,250** | **£0.23** | **$0.30** | **1,975,000** |

No options lapsed or were forfeited or exercised during the year.

### 23. Related party transactions

In September 2016 Iofina plc executed a convertible note in the amount of $15,000,000 with Stena Investment S.à.r.l., who held in excess of 5% of the outstanding common shares. On 14 June 2019 Rene Nominees IOM Limited converted $4,194,737 debt into equity of Iofina plc. On conclusion of this transaction Rene Nominees IOM Limited held in excess of 10% of the outstanding common shares. Both these transactions were deemed related party transactions pursuant to AIM Rule 13.

In November 2019 the Group made an investment of $900,000 in Organic Vines OP LLC, a company which is controlled by Lance Baller, Iofina's chairman, and in which he has a substantial personal investment.

There are intercompany transactions between the members of the Group. In both 2019 and 2020 all iodine produced by Iofina Resources was sold to Iofina Chemical. Related party balances are as follows:

| | 31 December 2020 $ | | 31 December 2019 $ | |
|---|---|---|---|---|
| | Due to | Due from | Due to | Due from |
| Iofina plc | 21,712,094 | – | 40,820,284 | – |
| Iofina Resources | 900,000 | 27,257,881 | 900,000 | 44,925,964 |
| Iofina Chemical | 5,585,787 | 40,000 | 4,110,680 | 5,000 |
| IofinaEX | – | 900,000 | – | 900,000 |

Additional related party transactions with directors, who are considered to be key management personnel, are set out in the Corporate Governance Statement on page 24. Option grants as described in note 22 are to employees and Directors.

The Company has entered into a number of unsecured related party transactions with its subsidiary undertakings. The most significant transactions carried out between the Company and its subsidiary undertakings are financing.

### 24. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being share capital plus reserves as shown in the balance sheet. The Directors continue to monitor the level of capital as compared to the Group's commitments and adjust the level of capital as is determined to be necessary by issuing new shares. Iofina plc is not subject to any externally imposed capital requirements. The Directors consider the capital of the Group to be the total equity attributable to the equity holders of the parent of $20.69 million as at 31 December 2020 (2019: $19.23 million).

## 25. Subsidiary undertakings

### Investment in subsidiaries

| | Investment in subsidiaries $ |
|---|---|
| **Cost** | |
| Balance at 31 December 2018, 2019 and 2020 | **$17,199,362** |

### Due from subsidiaries

| | 2020 $ | 2019 $ |
|---|---|---|
| **Cost** | | |
| At 1 January | 35,541,091 | 33,685,812 |
| Finance expense paid by subsidiaries | (1,033,087) | (1,825,971) |
| Loans repaid | (18,177,209) | – |
| Plc management fees | 100,000 | 100,000 |
| Net funding to/(from) subsidiaries | (18,699) | 3,581,250 |
| Reversal of impairment of amount due from Iofina Resources | 5,300,000 | – |
| At 31 December | **$21,712,095** | **$35,541,091** |

The new debt arrangements entered into during the year (see Note 20) were made on a joint and several basis with all Group companies excluding dormant subsidiaries. The principal beneficiary of these arrangements is Iofina Resources, Inc., and therefore the debt is accounted for in that company and the consolidated balance sheet, and does not appear in the balance sheet of Iofina Plc.

An impairment of $5,300,000 in respect of amounts due from Iofina Resources, Inc. has been reversed in 2020 (Note 2c).

### Subsidiary undertakings

| Company | Country of incorporation and operation | Principal activity | Interest in ordinary shares and voting rights |
|---|---|---|---|
| Iofina, Inc. | United States/CO | Holding company | 100% |
| Iofina Resources, Inc. | United States/CO | Iodine production | 100% |
| Iofina Chemical, Inc. | United States/DE | Specialty chemical | 100% |
| IofinaEX, Inc. | United States/KY | CBD development | 100% |
| Iofina Resources, LLC | United States/CO | Dormant | 100% |
| Iofina Resources, LLC | United States/TX | Dormant | 100% |
| Iofina Resources, LLC | United States/OK | Dormant | 100% |
| Atlantis Water Solutions, LLC | United States/MT | Dormant | 100% |

## 25. Subsidiary undertakings (continued)

Iofina, Inc. was established in February 2006 and is a wholly owned subsidiary of Iofina plc. Iofina, Inc. owns the whole of the issued share capital of Iofina Resources, Inc. and Iofina Chemical, Inc. Other entities are subsidiaries of Iofina Resources, Inc., the iodine production company.

The registered offices of the above companies are as follows:

| Company | Registered office |
|---|---|
| Iofina, Inc. | 8480 East Orchard Road, Greenwood Village CO 80111, USA |
| Iofina Resources, Inc. | 8480 East Orchard Road, Greenwood Village CO 80111, USA |
| Iofina Chemical, Inc. | 306 W. Main Street, Frankfort, KY 40601, USA |
| IofinaEX, Inc. | 212 N 2nd St., Suite 100, Richmond, KY 40475 |
| Iofina Resources, LLC (CO) | 8480 East Orchard Road, Greenwood Village CO 80111, USA |
| Iofina Resources, LLC (TX) | 815 Brazos Street, Austin TX 78701, USA |
| Iofina Resources, LLC (OK) | 26610 CR 500, Alva OK 73717, USA |
| Atlantis Water Solutions, LLC | 16192 Coastal Highway, Lewes DE 19958, USA |

## 26. Capital commitments

At 31 December 2020 the Group had no capital commitments.

## 27. Post balance sheet events

In mid May 2020 the Group's operating subsidiaries, Iofina Chemical, Inc. and Iofina Resources, Inc., received loans totalling US$1.09m under the US Small Business Administration's Paycheck Protection Program ('PPP'), which is part of the Coronavirus Aid Relief and Economic Security Act ('CARES Act'). PPP loans, or a portion of the loan, may be forgivable if loan proceeds are used for eligible purposes, including employee retention and payroll. The Group has received notice of 100% forgiveness from the US Small Business Administration, as of 22 January 2021 as regards $552,500 in respect of iofina Resources, Inc., and as of 27 January 2021 as regards $537,400 in respect of Iofina Chemical, Inc. The amounts forgiven will be recognised as income in 2021.

## 28. Contingent liabilities

All previous disclosed liabilities have been settled and are not material events for the Group.

## 29. Ultimate controlling party

There is no ultimate controlling party of the Group.

**Iofina and the environment**

Iofina promotes, wherever possible, environmental sustainability in its working practices and seeks to minimise, mitigate, or remedy any harmful effects from the Group's operations on the environment at each of its operational sites. To continue that effort through all aspects of business, this report has been produced to minimise its effect on the environment by using thinner paper, fewer pages, smaller type set, and non-colour printing as much as possible. As part of this effort Iofina is trying to move attention to its online annual reports available at **www.iofina.com**. By being a better steward of the environment, Iofina saves valuable shareholder funds instead of producing glossy magazine pages throughout the whole document.

This page does not form part of the statutory financial statements.