



25 April 2023

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

## **2022 FULL YEAR RESULTS**

### **FIFTH SUCCESSIVE YEAR OF RECORD REVENUE AND EBITDA**

Iofina plc, specialists in the exploration and production of iodine and manufacturers of specialty chemical products, announces its audited full year results for the 12 months to 31 December 2022 (the "Period").

#### ***Sustained demand and a strong Iodine spot price accelerated sales and profits in 2022:***

- Revenue increased by 8% to \$42.2m to (2021: \$39.0m)
- Gross profit increased by 47% to \$15.8m (2021: \$10.7m)
- Adjusted EBITDA improved by 65% to \$11.5m (2021: \$6.9m)
- Operating profit increased by 85% to \$9.6m (2021: \$5.2m)
- Profit before tax increased by 96% to \$10.0m (2021: \$5.1m)

#### ***Strong balance sheet and further reduction in net debt:***

- Cash of \$5.9m at year-end
- Net debt reduced from \$3.0m to \$0.9m

#### ***Investing for growth:***

- Capital investment into chemical and iodine plants was \$3.1m (2021: \$1.5m)
- Commenced site negotiations for future IOsorb® plants in the Period.

#### ***2023 so far:***

- Production of 107.1 MT of crystalline iodine in Q1 from Iofina's five IOsorb® plants
- The iodine global spot price remains steady at \$70/kg and prices are expected to stay at these levels into the second half of 2023
- IO#9 is currently scheduled to be operational before the end of Q2 2023

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

*"We have delivered another strong year across the business in terms of profitability and have invested in growth projects. Being a low cost producer of iodine means we have continued to capitalise on*

*sustained, higher iodine market prices. Demand for our products coming through Iofina Chemical remains robust and our improved cash position of \$5.9m has reduced net debt to below \$1m.*

*“Having commenced the construction on IO#9 in Q4 2022, we remain on track to have this in operation by the end of Q2 2023. The new plant is expected to add 100MT-150MT of crystalline iodine per annum, which will be a significant step change in production. We are also pleased that negotiations are progressing well with several interested parties for IO#10, with potential sites identified and further testing underway. Outside of the construction of new IOsorb® plants, the Board is also examining other potential growth projects that complement Iofina’s existing skill set and range of products, which would present cross-selling opportunities.*

*“2023 has started well in terms of production from our existing plants and corresponding sales, with the market remaining strong and the Company on track to meet its H1 production targets. We look forward to confirming the completion and switch on of IO#9 soon and updating shareholders on our further progress.”*

### **Investor Presentation**

Iofina will be hosting a presentation for retail investors via the Investor Meet Company platform in early May. A further announcement will follow soon to confirm the date and time for the event.

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### **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. Iofina is the second largest producer of iodine in North America and operates the manufacturing entities Iofina Resources and Iofina Chemical.

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***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. Iofina Chemical will be celebrating its 40<sup>th</sup> anniversary in 2023 as a preeminent halogen-based specialty chemicals company.

[www.iofina.com](http://www.iofina.com)

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**COMPANY INFORMATION**

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## CHAIRMAN'S STATEMENT

### Introduction

The 2022 financial year resulted in several significant milestones for Iofina. We achieved a fifth straight year of record Adjusted EBITDA with an increase of 65% to \$11.5m, record sales of \$42.2 m up 8.3% on 2021, and a record average sales price of iodine was recorded. Profit before tax increased by 96% to \$10.0m.

Iofina produced 516 metric tonnes (MT) of crystalline iodine in 2022. Average prices per kilogram achieved for sales of crystalline iodine, based on 100% iodine, increased 98% on the previous year to an average of \$71.20 for 2022 whilst non-iodine product sales increased by 26% from \$8.6m to \$10.8m.

Additional highlights include a bank debt to Adjusted EBITDA ratio of 0.59 for year-end 2022 compared to 1.18 for year-end 2021 (2.62 for year-end 2020). In addition, the Company was able to reduce its net debt from \$3.0m to \$0.9m while increasing capital investments into chemical and iodine plants of \$3.1m (2021: \$1.5m). Net cash inflow from operating activities was \$5.6m. The Company achieved these important milestones while having no lost time accidents in 2022 across all facilities, which is our top priority. For the second year in a row Iofina Chemical (IC) was awarded a SOCOMA ChemStewards Performance Award and for the first time successfully attained ISO 9001:2015 certification. We have built an excellent business with diversified, low-cost production across a diverse array of IOsorb® plants and a specialty chemicals business supplying customers globally across several end markets.

### Iofina Chemical (IC)

IC had a successful year with its derivatives production, which was helped by the high price of iodine. This helped to help drive both improved revenue and profitability. We delivered an increase in Hydroiodic Acid (HI) production to meet higher domestic and international demand and we also increased Iodopropynyl butylcarbamate (IPBC) production to fulfil large orders. IC returned to growth in our specialty chemical gases business going back to 24/7 shifts in the second half of the year. There was some weakness in numbers for Sodium iodide (NaI), Potassium iodide (KI), and Methyl Iodide (MeI) but the increases in HI helped offset those slowdowns. These shifts in product mixes year over year are common and we will continue to drive sales of all products. During the year we saw higher levels of employee churn at our plant due to a more competitive U.S. labour market, but by the end of the year we were fully staffed for 2023. We also hired to a new Maintenance Supervisor in the second half of the year which will ensure that IC will continue to set the standard for preventive maintenance and safety.

2022 was a busy year for the engineering department at IC. We began by successfully testing the new specialty gases pilot plant. The material quality was verified by our customers to be relatively comparable to our current process of record. We completed a key set of renovations to our Methyl Iodide process to ensure safer operation. One of the other big projects was running new equipment to determine the best conditions for the recovery of an iodide recycle stream. We have successfully completed our testing in-house and are now working with toll manufacturers to recover this product. Another significant achievement in 2022 was renovating the lab air handling system with four new hoods installed and renovating our original two hoods. We also hired a new plant engineer in August and completed an AutoCAD class in October which will help with process design and building design. IC's engineering team exceeded most of their key performance indicators (KPI's) during the year.

IC had a goal in 2022 to obtain ISO 9001:2015 certification, and following a successful ISO audit in October, we completed ISO certification (an internationally recognised standard that specifies

requirements for a quality management system) in December. Additionally, much work was done on improving our quality management system with continued work on all aspects. We have added a quality system session to IC's quarterly training days, to ensure all employees understand the aspects of the quality management system. IC exceeded its quality KPI's which during the year included on-time product deliveries of 87.9%, a high customer satisfaction score, a high rate of completing scheduled preventive maintenance, and kept our customer complaints below 3% at 1.24%. The continued stress testing of IC's strategic direction and quality policy will continue to be a focus as we continue to improve as an organization.

Research and Development (R&D) continues to aid in process development and new product opportunities as well as the production of laboratory size quantities of customer orders typically for specialized iodides. Unfortunately, from April through November the lab HVAC renovations impacted expanded R&D efforts. Most of the year was spent producing lab size products. Work continues on lithium iodide and other specialty iodides. The expanded HVAC project added four new hoods available for R&D efforts in 2023. We have relied on R&D to help with our iodine waste stream recovery project and work continues on the solids obtained from the distillation to convert these to iodide products in 2023. Quality Control and R&D implemented new instrumentation software and added a new moisture analyser for our specialty chemical gases detection to ensure our testing requirements are met and provide backup instrumentation to meet customer needs.

A continued focus on safety remains key to our business and we completed a second consecutive year with no lost time accidents at IC. At the year-end we stood at 780 days with no loss time incidents at IC. Continuing safety improvements are a priority for the Company and at IC additional monthly online safety training was added to provide training on important safety, plant and product awareness issues. Each month employees are required to complete between two and three training courses. This helps to reinforce some of the important topics covered during quarterly safety and quality training. IC was awarded another SOCMA ChemStewards performance award for our continued success of our Employee Health and Safety work.

#### **Iodine Prices**

Since the lows of early 2017, iodine prices have steadily increased from early 2020, reaching \$35-37/kg. During the second half of 2020, as global economies contracted, so did the demand for iodine, resulting in prices reducing slightly. Iodine prices began 2021 at approximately \$32.5-36/kg, which was similar to where prices were pre-pandemic in early 2020 and ended the year at \$50/kg after a significant increase in global demand for iodine. Prices increased during 2022 to end the year at approximately \$70/kg. The increase in demand for iodine was led by human health applications such as povidone iodide (PVPI) and X-ray contrast imaging agents. At the time of writing, iodine prices are remaining steady with spot pricing now generally at \$70/kg and above. The last time spot prices for iodine were above \$60/kg was in June 2013. Iofina expects iodine prices to remain steady in 2023 due to global demand and environmental and geopolitical risks in Chile that slowed increased production.

#### **Iofina Resources (IR)**

For IR's current assets, efforts were made to maintain and work with our oil and gas partners to get the highest quality, quantity, and stable brines to our production facilities. IR was successful in our efforts to improve the consistency of brine water supply to our IOsorb® plants. We saw water volumes improve and stabilize across the Mississippian Lime Field. IR continued to work closely with our partner operators to optimize the water volumes and highest possible iodine concentrations. Our expansion efforts are underway with the construction of IO#9 beginning in November.

We have maintained great relationships with our partners that have resulted in successful projects for brine manipulation within their systems, hardware replacements and upgrades (i.e., valves, pipe work, flow meters, etc.), handling IR's return water issues, and stabilizing existing brines with solid iodine concentrations. IR's staff worked closely with our partners' field engineers regarding their well work over program and to identify and prioritize shut-in production wells that would be more beneficial to IR's facilities, as well as having adequate oil production. Several new wells in the IO#4 and IO#6 area are online and helping add brine and iodine to these plants. Through persistence and coordination, we were able to successfully finalize the IO#9 iodine extraction agreement. This was with a large, new operator to IR. Although negotiations took significant time, our efforts were successful and IR has established a strong working relationship with the Operator which we believe may be beneficial in developing additional plants in both Oklahoma and Texas.

Iofina had a strong end to 2022, with H2 iodine production surpassing our initial target and product sales remaining robust. We produced 516MT in 2022 compared to 518.2MT in 2021. The increase of produced water to IO#2 and IO#7 due to our efforts had the biggest impact in H2. This increased flow was a combination of the increase of investment by the Operator and working with the Operator at the field level to optimize operations.

Efficiencies were improved due to completing five tower IOsorb® repacks in H1 2022, which played a critical role in exceeding the 2022 H2 projections. We continued to collect and monitor data from each facility to improve effectiveness and have moved more aggressively to repack plants resulting in more partial repacks, reduced downtime and costs, and improved efficiencies.

IR added a new HSE manager in 2022. He has had an immediate impact the on continual improvement of our safety culture. Several initiatives have been successfully undertaken, including modification to personal protective equipment (PPE) and respirator requirements, improved operating conditions in the labs, and increased training and awareness to issues of health and safety in our operations. As we move forward into 2023, we have chosen a software platform that will improve our data collection and incident classification. This platform also will provide near miss and incident corrective action improvements by using a plan/do/check/review process to ensure sustainability and accurate KPI reporting. There were no lost time injuries (LTI) and zero reportable releases. IR has not experienced a LTI for 628 days.

In 2023, we are looking forward to building on the successes we achieved in the second half of 2022. We should have continued solid production from our existing plants, the completion of IO#9 construction in the 2nd quarter of 2023, progressing negotiations for IO#10 and beyond, and expanding our exploration efforts.

Field exploration efforts for the targeted areas of interest for Oklahoma have particularly been focused on future site locations and relationship developments with key targeted operators with the goal to identify ideal locations along with understanding their water transport systems (WTS) and saltwater disposals (SWDs).

Through this research and development, we were able to pinpoint the IO#9 location and construction is near completion. Our sampling program will continue to gather data needed for future locations in the field. Looking for future iodine facility locations is a top priority. We have an agreement for collecting weekly samples on ten brine aggregation points with multiple partners. IR's exploration team has continued studies on SWD and manifold locations, at SWD facilities in western Oklahoma, and we are working with potential partners in the Company's northern area of interest. In Texas, we have furthered our investigations by collecting weekly to monthly samples on twelve individual sites of interest with multiple potential partners. Additionally, we are furthering our research efforts on production wells producing from new formations as well as new aggregate points within our partner operator's WTS's.

We have started our fourth internship program with an Oklahoma university, and it has progressed strongly. The interns are assisting Iofina in calculating iodine values in our existing Brine Units for royalty calculations, have assisted in a testing chemical recycling project, and they are working on lithium sample processing techniques. This internship duration goes from May 1, 2022, to April 30, 2024 at which time we will evaluate whether to continue to fund this program.

### Outlook

I have stated in previous annual reports that “The next few years look to be transformational for Iofina”. As a Group we still believe this. While disappointed that we have been unable to add a new IOsorb<sup>®</sup> plant each year, we believe that IO#9 will be an important new plant in a new, strategic area and will ignite our development plans. In 2022, we were able to evidence that Iofina is a highly attractive and profitable Group, and we shared our story with global institutional funds, family offices, and retail investors. Our shareholder registry expanded in the financial year with the addition of new institutional holdings. We will continue to hold roadshows and investor programs in 2023 under the stewardship of Canaccord Genuity, the Company’s nominated adviser and broker.

In 2022 we explored options to facilitate increased investor access to Iofina with a dual listing on NASDAQ. After reviewing the regulatory reporting requirements, ADR fees, and compliance requirements, the Board decided the expense and additional regulatory and administrative efforts placed on the Group’s management team would not be materially beneficial to shareholders. At last year’s annual general meeting, the Board received approval from shareholders to buy back up to 19,185,841 ordinary shares. Whilst we have not yet used this authority, instead focusing on reinvesting the Group’s profits into our operations, the Board will again this year seek shareholder approval at the annual general meeting for the ability to repurchase shares as appropriate.

In terms of our expansion, we are squarely focused on growing our current iodine production and specialty chemical businesses, including developing new and exciting chemical compounds. We shall continue to develop strategies to reduce our reliance on our current oil and gas partners and explore new geographic areas. We have continued to explore potential business partnerships and combinations that could be beneficial to shareholders. We continue to focus on calculated risks in our approach to growth. In 2022 we implemented additional key performance indicators (“KPIs”) and will continue to do so in 2023.

I would like to thank all of our shareholders for their continued support. We are looking forward to appraising the excellent opportunities we are seeing as we move the Company forward in setting continued record years.

A handwritten signature in blue ink, appearing to read "Lance J. Baller".

Lance J Baller  
Non-Executive Chairman  
Iofina plc  
24 April 2023

## FINANCIAL REVIEW

### Summary 2022 v 2021

- Fifth successive year of record revenue and EBITDA
- Revenue increased by 8% from \$39.0m to \$42.2m
- Gross profit increased by 47% from \$10.7m to \$15.8m
- Adjusted EBITDA improved by 65% from \$6.9m to \$11.5m
- Profit before tax increased by 96% from \$5.1m to \$10.0m
- Net debt was reduced from \$3.0m to \$0.9m\*
- Capital investment into chemical and iodine plants was \$3.1m (2021: \$1.5m)

\*excludes lease liabilities

### Trading results

Turnover	Crystallised	2022	Crystallised	2021
	Iodine 85%	Sales	Iodine 85%	Sales
	MT	\$m	MT	\$m
Crystallised iodine	220	13.3	411	12.6
Derivatives	221	16.3	321	15.1
Prilled iodine		1.8		2.7
Total iodine sales	<u>441</u>	<u>31.4</u>	<u>732</u>	<u>30.5</u>
Non-iodine		10.8		8.6
Total sales		<u>\$42.2</u>		<u>\$39.0</u>

Revenue increased by 8% from \$39.0m to \$42.2m. A key factor driving the results was a substantial increase in the iodine price over the first half of the year to a level that has persisted since then. The reduction in iodine sales volumes reflects exceptionally high demand in 2021 due to restocking by customers who had held back in 2020 due to COVID uncertainties. Although 2022 volumes were lower turnover was nonetheless higher and gross margins were greatly improved.

Average prices per kilogram achieved for sales of crystallised iodine based on 100% iodine were \$36.03 for 2021, rising to an average of \$71.20 for 2022, an increase of 98%. Sales volumes at these higher price levels were 220 metric tonnes ("MT") compared to 411 MT for 2021, but the value of this turnover was higher at \$13.3m compared to \$12.6m for 2021.

Average prices per kilogram of derivative compounds, based on total weight including non-iodine chemicals, were \$42.90, up 54% from the 2021 average of \$27.94. Sales volumes of derivatives were 221 MT compared to 321 MT for 2021, but the value of turnover was higher at \$16.3m compared to \$15.1m for 2021.

Non-iodine sales increased by 26% from \$8.6m to \$10.8m, reflecting higher volumes and led by the specialty chemical gases business, which saw some inventory rebuilding by a major customer.

Gross profit improved by \$5.1m (47%) to \$15.8m (2021 \$10.7m), representing 38% (2021 27%) of sales. This reflected the substantial selling price increases described above, offset somewhat by mainly inflationary cost increases of 24% for iodine production and 20% for the Iofina Chemical plant. Crystallised iodine production was 516MT compared to 518MT for 2021, from the same five plants. Iodine sales were split 50:50 between raw iodine and derivatives for 2022, as opposed to 56:44 for 2021.

Adjusted EBITDA improved by 65% from \$6.9m to \$11.5m after deducting \$4.4m in SGA expenses (2021 \$3.8m) from the gross profit of \$15.8m (2021 \$10.7m). Operating profit after depreciation and amortisation of \$1.8m (2021 \$1.7m) was \$9.6m compared to \$5.2m for 2021.

#### **Release of plant acquisition accrual**

An accrual balance of \$0.45m relating to the acquisition of #IO2 plant is no longer considered to be required, and has therefore been transferred to income. No claims have been made, and the period of validity for such claims has expired.

#### **Interest swap derivative asset**

The derivative asset resulting from the swap contract described in Note 20 has been revalued as at 31 December 2022 by reference to market expectations for future SOFR rates, and an amount of \$0.25m has been credited to comprehensive income (2021 \$0.07m) and included in the balance sheet.

#### **Profit before tax**

Profit before tax improved by \$4.9m from \$5.1m (2021) to \$10.0m (2022). The improvement reflects successful trading at substantially higher iodine selling prices, together with containment of inflationary cost pressures.

#### **Tax**

The Group is utilising previous years' accumulated US Federal tax losses against current profits that would otherwise be taxable. Based on current projections the Group expects that US Federal tax will not be payable in respect of 2023, but is likely to become payable in respect of 2024.

#### **Capital investment**

The Group invested \$3.1m in capital projects and equipment (2021: \$1.5m), of which \$1.8m relates to construction of the new IO#9 iodine plant in Oklahoma. Most of the balance of expenditure relates to new projects, process improvements and replacements at the Iofina Chemical plant.

**Cash flow**

Cash started the year at \$5.3m and ended \$0.6m higher at \$5.9m, after paying off \$1.4m of the bank term loan in accordance with the borrowing schedule and investing \$3.1m in capital projects. Net debt was reduced from \$3.0m to \$0.9m. Net cash inflow from operating activities was \$5.6m.

A handwritten signature in blue ink that reads "Malcolm Lewin".

**Malcolm Lewin**  
Chief Financial Officer  
Iofina plc  
24 April 2023

## 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 currently serves as CEO of Selectis Health, Inc and as a director and as sole or principal shareholder of several privately owned businesses, including Baller Enterprises, Inc. (personal holding company), Titan Au, Inc, Empire Leasing LLC, Valdez Au, Inc, Extrac Technologies Limited, Extrac, Inc, Wyoming Sand Company LLC (which all are in gold, sand, rock, SiO<sub>2</sub> and gravel mining), Ultimate Investment (personal investment company) and Baller Family Foundation, Inc. (personal family foundation) plus many others that he has founded and successfully sold over the years. He is the former managing partner of Shortline Equity Partners, Inc., a mid-market merger and acquisitions consulting and investment company. Mr. Baller is also the former Managing Partner of Elevation Capital Management, LLC and is the former alternative investment hedge fund manager of the Elevation Fund. He is also a former Vice-President of Corporate Development and Communications of Integrated Biopharma, Inc. and prior to that a vice-president of the investment banking firms UBS and Morgan Stanley. Mr. Baller has been a CEO, interim CEO, Chairman, CFO and secretary of various private and public listed companies throughout his career. He has served as Chairman to various companies and has led successful restructurings. Mr. Baller has had extensive experience in all aspects of corporate finance. Mr. Baller currently is on the board of trustees of Index Fund and Digital Funds where he serves as the chairman of the audit committee and as the audit committee financial expert under Sarbanes-Oxley.

### **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 Fallin Christensen, Non-Executive Director**

Mary Fallin Christensen 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. 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. Large volumes of brine water are 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. The Directors of the Company believe that Iofina’s production process, which utilizes brine water from third party oil and gas production, is advantageous for long term sourcing of the raw material as well as minimised production and expansion costs. 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.

Iodine is a rare element that is produced only in a few countries in the world, with approximately 90 per cent of global production coming from Chile (~60 per cent) and Japan (~30 per cent, including recycled waste streams).. Iodine and its compounds 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 approximately six per cent of the world’s total production, but where there is a large consumption of the world’s iodine by various American users. Iofina believes it is the second largest producer of iodine in North America.

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 expansion of production and opening of IOsorb® plants IO#7 and IO#8 and the current IO#9 project which is expected to open in late Q2 2023. Additionally, the Directors believe that the Group’s technology to produce iodine is far more environmentally friendly compared to other producers. By using a waste stream from the oil and gas industry to isolate iodine versus isolating iodine from ores, Iofina’s process is ecologically efficient in obtaining a valuable product from a waste stream versus the environmentally intensive processes of mining iodine from ores by Chilean producers.

Economically viable iodide rich brine co-produced during oil and gas production is not common, and the Group’s proprietary geological model to locate and anticipate iodide rich sources is unique. The Directors of Iofina are committed to producing its products in a sustainable and environmentally friendly manner, and to improving communications regarding our long-term strategy in respect of Iofina’s sustainable practices and other ESG tenets.

The 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 within the business while focusing on our core expertise is important. Iofina Resources

diversifies its iodine production through multiple IOsorb<sup>®</sup> production plants with multiple brine suppliers 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<sup>®</sup> 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 a wide range iodine-based products with applications in various industries including agricultural, pharmaceutical, biocides and others, whilst additional diversification is realised by the production of non-iodine-based products at Iofina Chemical. The demand 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.

Iodine prices have risen significantly in the last 24 months, exceeding \$70/kg by July 2022 and stabilising at these levels through early 2023 at the time of publication. Pricing at these levels has not been seen since 2011, when a combination of the Fukushima disaster in Japan and Chilean supply disruptions resulted in a shortage of iodine and a price spike. Supply and demand changes, as well as manufacturing cost increases, are the major factors influencing the iodine price. Iodine prices slightly retreated in H2 2020 due to lower global demand for both iodine and iodine-based products during the COVID-19 pandemic. As an iodine manufacturer, iodine prices have a significant impact on the Group's gross profit margins. Prices rose marginally in H1 2021 and then significantly from H2 2021 through to H2 2022 with demand outpacing supply as global economies recovered and expanded as COVID impacts waned.

During 2022, demand for iodine, particularly in X-ray contrast media applications, continued to increase. Currently, iodine prices remain high versus historical levels and the range of prices is larger than typical historical prices. Spot prices began 2022 near \$50/kg and reached \$70/kg and above by mid-year. Contracted iodine prices for large customers are generally lower than spot prices, but these also increased significantly during the year. Demand for Iofina's iodine and iodine derivatives was robust in 2022 and this is still the case in early 2023. We expect iodine prices to remain steady at least through H1 2023. Whilst the iodine market has expanded in recent years, we note that additional Chilean production coming on stream may increase overall global iodine supplies. Inflation in 2022 has remained at much higher levels than recent years and has resulted in higher costs for Iofina's raw materials, labour and energy.

The Directors recognized that, as the Company erected its IOsorb<sup>®</sup> 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 production costs. Once the majority of these goals were achieved and iodine market conditions became more favourable, the Directors commenced the next phase of Iofina's business plan with the focus on growth. In early 2018, the Group's newest iodine plant at the time, IO#7, was completed. By expanding our operations and building IO#7, the Group has successfully lowered overall iodine production costs with its most efficient plant at that time. The next major growth development occurred in Q2 2019, when 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 establishing new routes to growth and is investigating locations and partnerships to expand iodine production. Currently, the Company is building IO#9 and is in negotiations with partners on sites for IO#10. Lessons learned from past expansion play a role in management's iodine plant growth. Building of IOsorb® plants will be done in a prudent manner to ensure to the best of our knowledge long-term, low-cost iodine production. With an expanding iodine market and Iofina's improved balance sheet, it is likely that Iofina will embark on IO#10 soon after IO#9's completion, although this will only be done with the correct evaluations of potential future sites and market conditions.

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 IOsorb® plants. The Group continues to investigate the economics and the technology to have better control of the iodide-rich brine supplies that feed the current and future 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. Iofina Chemical invested in multiple projects in 2022 and will continue to invest in areas to expand current products and develop new products to Iofina using the Company's core expertise.

### 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:

	<b>Year ended 31 December 2022 \$'000</b>	<b>Year ended 31 December 2021 \$,000</b>
Revenue from sales of iodine and iodine derivatives	\$31,422	\$30,473
Revenue from non-iodine products	\$10,776	\$8,566
Total revenue	\$42,198	\$39,039
Total pounds of product shipped (LBS '000)	1,640	2,580
Crystallised iodine produced (Metric Tonnes)	516	518
IOsorb® plants in operation (year-end)	5	5

Commentary on some of 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 2022 the Group had five operating IOsorb® iodine production facilities in the core area of Northwestern Oklahoma and a sixth under construction. 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 and gas production and quickly bring these sites into production. The 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. In late 2022, the Group began construction on IO#9 with an expectation to complete it in late Q2 2023.

Brine supply to our IOsorb® plants can be affected by regulatory changes and adjustments to our partners' 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 for 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 further expansion opportunities. The Company will continue to evaluate and potentially execute these with current and new potential brine supply partners, when management determines the proper timing for new sites.

Timing of future iodine production growth will be dependent on a series of factors. These include the stability or increase of iodine prices, global demand, availability and cost of production 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. Lower oil prices can lead to lower oil production if certain wells become uneconomical, which in turn can affect brine supplies from our partners. Therefore, the Group is increasingly focused on evaluating alternative brine sourcing opportunities to have better control brine supply at future sites. Whilst the Directors are focused on expanding production capacity in the right manner, it is also important to maintain the Company's strong balance sheet and cash flow. Expansion in 2023 will occur with the completion of IO#9 and negotiations for sites for IO#10 are ongoing. The Directors will evaluate market conditions and the detailed information on potential future plant sites before spending capital on new IOsorb® plants.

Iofina Chemical has continued to invest in current product 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 in 2022 at Iofina Chemical included R&D upgrades and ongoing methyl fluoride process improvements. In 2023, additional process upgrades and product development projects are underway. The R&D and the sales groups continue to investigate and

research new opportunities for applications of our existing portfolio of products, as well as identify and produce new halogen-based derivatives to grow this side of the business. It is also expected that Iofina Resources' expansion plans over the next few years will result in the need for expansion of our customer base for our products. The Iofina Chemical sales team developed new sales channels during the reporting period, which it will continue to expand upon, including potential direct sales of the Group's crystalline IOflo® iodine to new customers. Managing existing client relations and developing new sales channels is a high priority for the sales team. To help meet growth targets and maintain high standards, the Group expects to add new talent to the sales team in 2023.

The Group reported in 2021 that IofinaEX, the hemp seed investment, has not had any appreciable sales and was impaired to Nil. While the Group believes these seeds are still viable for sale, there were no recognised hemp seed sales in 2022.

Last, 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 salt-water disposal wells (SWDs) that our partners operate may have temporary or permanent issues which would likely affect the brine supply to IOsorb® plants. In the past, reduction of capital spent by our partners for new drilling and recompletion of wells in our core area resulted in a decline in total amounts of brine co-produced with oil and gas in our key areas. Current brine volume availability to existing plants is relatively steady but could change. 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. Global supply change disruptions and logistic bottlenecks can adversely affect ability to obtain key raw materials and may result in increased costs of these materials. 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.

**Global Crises:** Global crises, while rare, can impact businesses significantly. The COVID-19 pandemic was an example of such an event. Similar events in the future could have a negative effect on the markets we serve and on the Group's profits. For instance, 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 many other businesses. During the COVID-19 pandemic, 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.

Currently, Russia's invasion of Ukraine is ongoing but has not directly affected Iofina's operations. Additional political sanctions or negative impacts to global economies as a result of this invasion may adversely impact our business. Iofina does not have any current sales exposure with Russia. Other geopolitical events could negatively affect 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 its operations. Although the Group intends to comply in respect of 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. Greenhouse Gas (GHG) regulations in the USA have not impacted Iofina's ability to produce products it currently manufactures, however if production allocations are reduced in the future, this would likely negatively affect Iofina's production output. 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 and obtained ISO 9001:2015 certification in 2022.

**Changes in Markets and Competition:** Iofina is well diversified in the markets we serve. As a result, small changes to these markets generally will not materially affect our business. However, major disruptions in key markets that use iodine or the other specialty compounds we manufacture could have a material negative effect on the Group. The rising interest rate environment implemented by central banks to combat inflation is likely at a minimum slow down global economies or even create a recession. A significant contraction in global economies may negatively affect demand and pricing of the Group's goods. Additionally, increased competition in the markets we serve could negatively impact prices or the ability to sell our goods. In particular, large increases in iodine production from competitors could negatively affect iodine prices and the Group's market share. The planned expansion of iodine production in Chile may change the market's current supply and demand dynamics. However, the exact change is subject to several factors, the scale of expansion, the timing of increased supply and the overall global demand for iodine at the time of new supplies coming onstream.

**Iodine Price volatility:** Iodine's price and demand 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. Iodine prices are currently elevated relative to historical trends. After a lull in demand during the COVID-19 pandemic, demand for iodine rose significantly in H1 2021. Continued strong demand for iodine and iodine incorporated products have continued through today. As a result, iodine prices rose significantly between H1 2021 and mid-year 2022. During H2 2022 through early 2023 iodine prices have generally stabilised.

**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 2022, 11% of revenue recognised was attributable to one long term customer and five other customers each contributed to over 5% of sales. Relations with these customers 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. In 2022, Iofina executed a new agreement for IO#9 with a new brine supply partner.

**Regulation and Trade:** The businesses are subject to various significant international, federal, state and local regulations currently in effect 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 current federal administration in the USA has increased regulations in our 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 and selling hemp seeds may change and evolve.

The Group closely monitors regulations across its businesses to ensure that it complies with the relevant laws and regulations. While Iofina believes that it is compliant with all laws and regulations, any instances of non-compliance would be brought to the attention of the appropriate authorities as soon as possible.

Trade relationships between the USA and other areas of the world, particularly China, have become more unstable. Increased tariffs implemented by the USA and retaliatory tariffs imposed by other governments against the USA have 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. High inventories negatively affect cash flow, while low inventories can negatively affect sales volumes and customer relationships. In 2021, the Group started the year with larger than normal iodine inventories and ended the year with lower than normal iodine inventories. In 2022, the Group ended the year with more normalised iodine inventories and slightly elevated than ideal specialty chemical derivative end products and in-process goods. These inventories are cyclical within our business and management closely tracks these inventories along with known and anticipated demand for products in order to maintain appropriate inventories.

**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 of key technical or senior management employees could negatively affect the business. Additionally, the USA labour market remains tight. This could result in increased labour costs and a risk of delays or inability to produce product due to labour shortages.

**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 and Inflation:** 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 overall debt has continued to decline, interest rates continue to rise and will likely negatively impact debt costs. In 2022, the Group obtained credit lines in order to support growth projects at both Iofina Chemical and Iofina Resources. These lines carry variable interest rates.

Inflation in the USA and globally was higher in H2 2021 and throughout 2022 relative to recent years. This has resulted in higher costs for goods, energy, and labour. The ability to maintain margins in an increasing inflationary environment is uncertain. Additionally, as prices rise, there is a risk that some products the Group sells may be replaced by cheaper alternatives which could result in an adverse effect to the business.

**Litigation:** While the Group has no pending litigation matters, there are possibilities that future judgements or settlements could result in an adverse effect to our business.

**Going concern**

The Group has performed well in 2022, and is performing as anticipated in 2023 and generating cash. In 2022 the Group achieved a profit before taxation of \$10.0m and a net cash inflow from operating activities of \$5.6m. The markets into which the Group sells its products continue to experience strong demand. Iofina has obtained appropriate credit facilities to fund current business growth objectives. The Group has prepared forecasts and projections that indicate there are adequate resources to continue in operational existence for the foreseeable future. The Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the board

A handwritten signature in blue ink, appearing to read "T M Becker".

**Dr. Thomas M. Becker**

Chief Executive Officer and President

24 April 2023

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

As required by section 172 of the Companies Act 2006, a director of a company must act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to the:

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

As a Board our aim is always to uphold the highest standards of governance and business conduct, taking decisions in the interests of the long-term sustainable success of the Group, generating value for our shareholders and contributing to wider society. We recognise that our business can only grow and prosper over the long term by understanding the views and needs of our stakeholders. Engaging with stakeholders is key to ensuring the Board has informed discussions and factors stakeholder interests into decision-making.

The Directors insist on high operating standards and fiscal discipline and routinely engage with management and employees of the Group 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 Group.

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 benefits packages and open dialogue between all employees are just some of the ways the Group 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, lenders, 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 Group as a whole. 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 Group is known for its commitment to details to its customers. Communications with the Group's lenders and shareholders occur on an ongoing basis and as questions arise. The Group 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 is 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 its composition 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 2022.

### **Strategic report**

Included in the Strategic Report on pages 12 to 21 is the review of the business and principal risks and uncertainties.

### **Post balance sheet events**

Post balance sheet events are set out in note 30.

### **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 UK adopted International Accounting Standards, and have elected under company law to prepare the Company financial statements in accordance with International Accounting Standards.

The financial statements are required by law and UK adopted International Accounting Standards 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 UK adopted International Accounting Standards; 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 Fallin Christensen, Non-Executive Director

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

A handwritten signature in blue ink, appearing to read "Tom Becker".

**Dr. Thomas M. Becker**

Chief Executive Officer and President

24 April 2023

## **CORPORATE GOVERNANCE STATEMENT**

The Board ensures that the Group is managed for the long-term benefit of all shareholders with corporate governance being an essential element of this and has adopted the Quoted Companies Alliance (“QCA”) Corporate Governance Code which is considered appropriate for an AIM quoted company. The Board is responsible for the overall leadership, strategy, development and control of the Group in order to achieve its strategic objectives.

The Group is led and controlled by the Board which currently consists of two Executive Directors and four Non-Executive Directors. Board meetings are held on a regular basis and no significant decision is made other than by the Directors. All Directors participate in the key areas of decision making.

### **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 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. Further, 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 12 to 21 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. The Board and the Group's management team 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 Board typically meets monthly to set the overall direction and strategy of the Group, review operational and financial performance and advise on management appointments (if necessary). 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 30.

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 can 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 Christensen 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 Board notes that the Independent Non-Executive Directors have received share options in the Company. The Board does not believe the issue of options affects their independence as they are of a modest amount and not deemed material to the individual.

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.

### **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 is required, under the Company's articles of association, 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 Christensen. 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. 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 32.

### **Attendance at meetings**

The Board meets regularly, typically on a monthly 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:

	<b>Board</b>	<b>Audit</b>	<b>Remuneration</b>
Lance Baller	11	2	2
Dr Thomas Becker	11	-	-
Malcolm Lewin	11	-	-
Dr William Bellamy	9	2	2
J. Frank Mermoud	11	2	2
Mary Fallin Christensen	10	2	-

### **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. As required pursuant to the Company's articles of association, 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.

## Directors' remuneration

Remuneration provided to each Director was as follows:

	2022			2021		
	Salary	Bonus	Total \$	Salary	Bonus	Total \$
Lance Baller	109,620	-	109,620	109,620	-	109,620
Dr. Thomas Becker	274,400	30,000	304,400	260,000	35,000	295,000
Malcolm Lewin	175,275	25,000	200,275	191,208	27,315	218,523
William Bellamy	30,000	-	30,000	30,000	-	30,000
Frank Mermoud	30,000	-	30,000	30,000	-	30,000
Mary Fallin Christensen	30,000	-	30,000	30,000	-	30,000
<b>Total</b>	<b>\$649,295</b>	<b>\$55,000</b>	<b>\$704,295</b>	<b>\$650,828</b>	<b>\$62,315</b>	<b>\$713,143</b>

No pension contributions were paid on behalf of the directors in 2021 or 2022.

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

The interests of the Directors in office as at 31 December 2022 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:

	<b>31 December 2022</b>	<b>1 January 2022</b>
L J Baller	5,500,000	5,175,000
Dr. T M Becker	139,430	124,430
W D Bellamy	46,875	46,875
M T Lewin	93,750	93,750
J F Mermoud	23,750	23,750

All outstanding options over shares granted to Directors up to 31 December 2022 are set out in the table below. No further options have been granted between 31 December 2022 and the date of signing these financial statements. No options were granted in 2021 and no Directors exercised options in 2022.

<b>Name</b>	<b>2018 Options granted</b>	<b>2019 Options granted</b>	<b>2020 Options granted</b>	<b>2022 Options granted</b>
Dr T Becker	660,000	242,000	266,200	266,200
M Lewin	330,000	165,000	181,500	181,500
L Baller	220,000	165,000	165,000	165,000
Dr W Bellamy	110,000	82,500	82,500	82,500
JF Mermoud	-	82,500	82,500	82,500
M Fallin Christensen	-	-	82,500	82,500
	1,320,000	737,000	860,200	860,200
Exercise price	16.2p	21.3p	12.5p	17.6p
Lapse date	13/06/28	24/07/29	15/12/30	8/3/32

On behalf of the Board



**Dr. Thomas M. Becker**

Chief Executive Officer and President

24 April 2023

## **Environmental, Social, and Governance ('ESG')**

The Group has continually maintained a philosophy and commitment to perform its operations in a safe, responsible manner with regard to all stakeholders including, but not limited to, staff, shareholders, customers and our communities.

The Group has long applied ESG tenets even before the term ESG became commonplace. Iofina has chosen to produce our iodine from a brine water source that is a by-product of the oil and gas industry. By partnering with oil & gas operators, Iofina produces iodine from this brine water, and this iodine would not be realized if Iofina was not operating its iodine manufacturing plants. Most of the world's iodine is manufactured from iodate deposits in ores in Chile through processes we believe are much more negatively intensive to the environment than our WET® IOsorb® technology. The Group also manufactures specialty chemicals through the Iofina Chemical division. IC has held a long-established business philosophy to develop its processes in aqueous-based chemistries whenever possible to reduce the use of organic solvents. The vast majority of IC's processes are performed in aqueous media.

The iodine compounds the Group produces have a positive impact on society, with iodine being essential for human and animal health. Whether it is directly through the ingestion of foods containing iodides or fortified salt as a micro-nutrient to ensure proper thyroid function and to stimulate proper human and animal development; or by using iodine-containing compounds in medical uses, such as iodinated X-ray contrast agents, production of pharmaceuticals or the use PVP-I in antiseptic applications, iodine plays many important roles in a healthy society.

### **Environmental**

The Group is committed to minimizing its energy consumption and waste generation. Energy use and environmental impacts are key criteria when ordering and replacing equipment at our manufacturing sites. As an example, Iofina Resources is undergoing a long-term initiative to replace some large older blowers with more efficient units. Iofina Chemical is upgrading a process that will replace multiple reactors with a larger unit that will require less energy to produce an equivalent amount of product. Upgrades and new processes undergo a review which comprises evaluations to minimize energy use and environmental impact.

The Group's total energy consumption at our manufacturing facilities in 2022 was:

Electricity (kWh) 11,390,576; Natural gas (CCF) 70945; for the 1496MT of goods produced in 2022 by the Group.

The Company is continuing to develop metrics to measure the Group's environmental impact.

### **Social**

#### **Health and Safety**

The safety and health of Iofina's employees is the top priority for the Group. This also extends to our contractors, visitors, and community. Processing and creating specialty chemicals have inherent risks. Through engineering designs, extensive training and procedures, and PPE to name a few, our culture insists that as a group we work together to ensure everyone's safety. We are proud of our safety record but recognize that continual improvement is always necessary as we evolve. Iofina is proud to report that in 2022 there were zero lost time incidents for the Group.

Iofina Lost Time Incidents

	2021	2022
<b>Lost Time Incidents</b>	1	0
<b>Incident Rate</b>	1.04	0

Lost Time Incidents ('LTIs') are incidents where the person is unable to work the next day of the incident. Incident rate is the number of LTIs per 200,000 hrs. worked.

Many other health and safety metrics are evaluated and corrective actions performed to continually improve our systems in order to reduce incident occurrences and severity. These health and safety matrices are routinely reviewed and discussed with upper management.

Additionally, Iofina Chemical is honored to have received SOCMA Chemstewards performance bronze awards in 2021 and 2022 for Resource Management and Waste Minimization and Employee Training respectively.

Community

Iofina is committed to being a social responsible organization. Our program, Iofina Gives Back, is an employee-driven program designed to support our local communities. Some of the program's initiatives include the donation of items and funds for disaster relief, local schools, toy/food drives, and sponsorships that benefit first responder equipment and STEM scholarships.

Additionally, for many years, Iofina Resources has partnered with Northwestern Oklahoma State University and the OCAST Intern Partnership Program, which is designed to advance science and technology opportunities and provide experience and educational opportunities for undergraduate students. Multiple students involved in these internships with Iofina, have gone on to achieve advanced level science degrees.

Diversity

Iofina is an Equal Opportunity Employer and all employment decisions at Iofina are based on individual qualifications, particular job responsibilities, and business needs without regard to race, color, religion, national origin, age, gender, disability or any other status protected by laws where we operate. A culture of respect at Iofina is our commitment to all our employees and we demand that our team treats our fellow workers, and business partners in a professional and non-discriminatory manner. Historically, the job applicants that Iofina receives tend to underrepresent minorities and females when compared to the general population. Iofina is investigating ways to find a more diverse pool of job applicants.

Governance

The following are summaries of some of Iofina's Governance data and practices. Corporate policies are reviewed by the Board.

	Total Board Members	%Male	%Female	%Non-executive	% Executive	CEO/Chairman separate roles
<b>Board of Directors</b>	6	83%	17%	67%	33%	Yes

- The Group has adopted the QCA Corporate Governance Code
- The Group has adopted several policies including but not limited to:
  - Whistleblowing Policy
  - Anti-Fraud Policy
  - Anti-Corruption and Bribery Policy
  - Share Dealing Code
  - AIM Rules Compliance Policy

Further detail regarding Corporate Governance practices can be found on pages 22 and 24 of this report.

## 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 2022 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 the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

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 2022 and of the Group's profit and cash flows for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; 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 director's use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

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

Evaluation of management assessment	Key observations
<p>Management have prepared detailed consolidated cash flow forecasts incorporating all entities within the Group covering the period to 31 December 2024. 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.</p>	<p>The cash flow forecasts demonstrates that the Group will have a cash flow surplus throughout the forecast period. These incorporated all budgeted and committed expenditure, the schedule of repayment for the term loan and movements in working capital.</p> <p>In reviewing the cash flow forecasts, we separately sensitised the commodity price to determine the maximum the price of iodine</p>

<p>Our review included:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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 our historical knowledge of the Group;</li> <li>• Obtaining post year end management information and comparing these to forecasts to assess whether budgeting is reasonable and the results are in line with expectations; and</li> <li>• 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.</li> </ul>	<p>could fall by, assuming a constant volume, in order for the cash to be depleted to Nil by the end of the forecast period. Overall, the price of Iodine would need to decrease by 66% in 2023 and 83% in 2024 in order for EBITDA to be Nil for both years of the forecasts. Given the price of Iodine has been increasing since 2018, this is not considered likely.</p> <p>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.</p> <p>We have further sensitised the demand for crystallised iodine, reducing it to Nil. The results of this still showed a positive EBITDA for the group as a result of the flex in variable costs.</p>
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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.

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue Recognition</b></p> <p>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.</p> <p>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.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of management’s process for evaluating revenue recognition and assessing the design effectiveness of related key controls.</li> <li>• We tested the accuracy and occurrence of revenue by selecting a sample of items from the Group’s accounting system and tracing them to supporting documentation.</li> <li>• We audited the occurrence of revenue by consideration of our testing in trade receivables in conjunction with using data analytics software. This was used</li> </ul>

<p>We therefore identified the risk over the cut off of revenue as a significant risk and also considered accuracy and occurrence assertions.</p>	<p>to assist in identifying the correlation between trade receivables and revenue journals being made and subsequently the receipt of cash for those trade receivables and therefore whether any subsequent reversal of trade receivables should have impacted the recognition of the revenue.</p> <ul style="list-style-type: none"> <li>• We considered the appropriateness of revenue 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.</li> <li>• 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.</li> <li>• Assessing whether the Company's accounting policy for revenue recognition are in accordance with the requirements of IFRS 15.</li> </ul> <p>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.</p> <p><b>Key observations</b></p> <p>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 complete, accurate, has occurred and recognised on an appropriate basis.</p>
<p><b>Valuation and Impairment review of property plant and equipment</b></p> <p>Under International Accounting Standard 36 'Impairment of Assets' (IAS 36), companies are required to assess whether there is any</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• We reviewed Management's assessment of forecasted cash flows and challenged significant movements</li> </ul>

<p>indication that an asset may be impaired at each reporting date.</p> <p>Property, plant and equipment are a significant balance in the financial statements with a combined net book value of \$20.6m (2021 - \$19.1m). The balance is primarily comprised of the IOSorb plants, equipment and machinery and construction in progress.</p> <p>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.</p> <p>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 of the IOSorb plants.</p> <p>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.</p> <p>Significant management judgement and estimation uncertainty is involved in this area, where the primary inputs are:</p> <ul style="list-style-type: none"> <li>• Estimating cash flow forecasts; and</li> <li>• Selecting appropriate assumptions such as growth rate and discount rate.</li> </ul> <p>We therefore identified the risk over the valuation of property plant and equipment as a significant risk.</p>	<p>in forecasted cash flows compared to historic performance.</p> <ul style="list-style-type: none"> <li>• 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 discount rates and future expectations of commodity prices and sales growth.</li> <li>• We challenged management and gained an understanding of what is considered a cash generating unit.</li> <li>• We performed a downside sensitivity analysis and held discussions with Management to assess the likelihood of certain circumstances crystallising.</li> </ul> <p>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.</p> <p><b>Key observations</b></p> <p>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.</p> <p>We have confirmed the estimates and judgements utilised within the models applied in relation to the impairment of property, plant and equipment are within acceptable ranges.</p>
<p><b>Valuation of Inventory</b></p> <p>Inventory primarily consists of iodine and iodine derivatives. Inventory should be held at the lower of cost and net realisable value.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• We engaged component auditors to attend a stocktake at two of the Group's plant locations at the year end,</li> </ul>

<p>The net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. As at 31 December 2022, the inventory is valued at \$10.2m (2021 - \$6.3m). There is a risk that the carrying value in the Group accounts is higher than the recoverable amount and 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.</p> <p>We therefore identified the valuation of inventory as a key audit matter, which was one of the most significant assessed risks of material misstatement.</p>	<p>where they observed an inventory count and performed sample testing on inventory held.</p> <ul style="list-style-type: none"> <li>• We discussed, understood and tested the Group's process for calculating the cost of the finished goods based on the absorption cost including challenging the robustness of the key assumptions with management to ensure they are appropriate.</li> <li>• A sample of inventory items were tested to ensure the product was held at the lower of Cost and Net Realisable Value.</li> </ul> <p>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.</p> <p><b>Key observations</b></p> <p>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.</p> <p>We have confirmed the estimates and judgements utilised within the models applied in relation to the valuation of inventory are within acceptable ranges.</p>
<p><b>Valuation and Impairment review of investments in subsidiaries and intercompany balances</b></p> <p>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.</p> <p>The estimated recoverable amount of these balances is subjective due to the inherent</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• We utilised discounted cash flow forecasts to form an expectation of the recoverable amount, and in addition considered the current performance of the subsidiary entities.</li> <li>• We performed a sensitivity analysis on the key inputs such as a decline in iodine prices and sales growth and concluded that even with the adverse</li> </ul>

<p>uncertainty involved in forecasting the profitability of the subsidiaries.</p> <p>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.</p> <p>Significant management judgement and estimation uncertainty is involved in this area, where the primary inputs are:</p> <ul style="list-style-type: none"> <li>• Estimating cash flow forecasts;</li> <li>• Selecting an appropriate assumptions such as growth rate and discount rate.</li> </ul> <p>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.</p>	<p>movements mentioned above in the Group's key assumptions, no potential impairment was identified.</p> <ul style="list-style-type: none"> <li>• We obtained and reviewed the Directors' assessment of impairment with regards to investment and loans due from its subsidiaries in support of the valuation and assessed whether this was in line with IAS 36 'Impairment of Assets'.</li> <li>• We reviewed the 2022 forecasts against actual results to determine the Directors' historic forecasting accuracy.</li> </ul> <p>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.</p> <p><b>Key observations</b></p> <p>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, in addition to the impairment of IofinaEX, Inc in a prior year.</p> <p>We have confirmed the estimates and judgements utilised within the models applied in relation to the valuation and impairment of investments in subsidiaries and intercompany balances are within acceptable ranges.</p>
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### 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 as a whole to be \$501,500 (2021: \$389,000).	We determined materiality for the financial statements as a whole to be \$374,000 (2021: \$311,200).
How we determine it	For 2022 it is based on one of the key indicators, being 5% of profit before tax for the Group (2021: 1% of revenue).	As the Parent is a holding company, materiality was based on 1% of gross assets.
Rationale for benchmarks applied	We believe 5% of profit before tax to be the most appropriate benchmark given that the group's performance in the past few years has been steadily increasing.	
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:	
	\$376,000 (2021: \$291,750)	\$280,000 (2021: \$233,400)
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.	
	\$25,000 (2021: \$19,450)	\$19,000 (2021: \$15,560)

### 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 25, 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.

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 regulations, 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 reports from 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 review of internal audit committee reports in so far as they related to the financial statements, 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](http://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.

**Colin Wright**  
**(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 April 2023

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
Revenue	3	42,198	39,039
Cost of sales	4	(26,369)	(28,307)
<b>Gross profit</b>		<b>15,829</b>	<b>10,732</b>
Administrative expenses	4	(4,361)	(3,789)
Depreciation and amortisation	4	(1,824)	(1,731)
<b>Operating profit</b>		<b>9,644</b>	<b>5,212</b>
<b>Other income/(expense):</b>			
Release of plant acquisition accrual	12	450	–
Paycheck Protection Program loans forgiven		–	1,090
Fair value loss on investments in equity instruments designated as fair value through profit and loss		–	(900)
<b>Net other income</b>		<b>450</b>	<b>190</b>
<b>Profit before finance expense</b>		<b>10,094</b>	<b>5,402</b>
Finance income	7	13	17
Interest payable	6	(326)	(368)
Interest swap derivative asset	20	249	69
<b>Profit before taxation</b>	4	<b>10,030</b>	<b>5,120</b>
Taxation	8	(2,165)	4,066
<b>Profit for the year attributable to owners of the parent</b>		<b>\$7,865</b>	<b>\$9,186</b>
Earnings per share attributable to owners of the parent:			
- Basic	9	\$0.041	\$0.048
- Diluted	9	\$0.040	\$0.048

	2022 \$'000	2021 \$'000
<b>Adjusted EBITDA:</b>		
Profit before finance expense	10,094	5,402
Depreciation and amortisation	1,824	1,731
<b>EBITDA</b>	<b>11,918</b>	<b>7,133</b>
Net other income	(450)	(190)
<b>Adjusted EBITDA</b>	<b>\$11,468</b>	<b>\$6,943</b>

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

		31 December 2022 \$'000	31 December 2021 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	283	463
Goodwill	11	3,087	3,087
Property, plant and equipment	12	20,557	19,113
Deferred tax asset	25	1,932	4,066
Term loan – interest swap asset	20	249	–
<b>Total non-current assets</b>		<b>26,108</b>	<b>26,729</b>
<b>Current assets</b>			
Inventories	13	10,184	6,296
Trade and other receivables	15	10,487	6,158
Cash and cash equivalents	17	5,927	5,262
<b>Total current assets</b>		<b>26,598</b>	<b>17,716</b>
<b>Total assets</b>		<b>\$52,706</b>	<b>\$44,445</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	7,538	5,802
Term loan – due within one year	20	1,429	1,429
Lease liabilities	19	101	58
<b>Total current liabilities</b>		<b>9,068</b>	<b>7,289</b>
<b>Non-current liabilities</b>			
Term loan – due after one year	20	5,357	6,785
Lease liabilities	19	309	410
<b>Total non-current liabilities</b>		<b>5,666</b>	<b>7,195</b>
<b>Total liabilities</b>		<b>\$14,734</b>	<b>\$14,484</b>
<b>Equity attributable to owners of the parent</b>			
Issued share capital	23	3,107	3,107
Share premium		60,687	60,687
Share-based payment reserve	24	2,153	2,007
Retained losses		(22,031)	(29,896)
Foreign currency reserve		(5,944)	(5,944)
<b>Total equity</b>		<b>\$37,972</b>	<b>\$29,961</b>
<b>Total equity and liabilities</b>		<b>\$52,706</b>	<b>\$44,445</b>

The financial statements on pages 48 to 82 were approved and authorised for issue by the Board and were signed on its behalf on 24 April 2023.



**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					Total equity \$'000
	Share capital	Share premium	Share-based payment reserve	Retained losses	Foreign currency reserve	
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at 1 January 2021</b>	<b>\$3,107</b>	<b>\$60,687</b>	<b>\$2,136</b>	<b>\$(39,331)</b>	<b>\$(5,944)</b>	<b>\$20,655</b>
<b>Transactions with owners</b>						
Share-based expense	–	–	120	–	–	120
Share options lapsed and forfeited			(249)	249		
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>(129)</b>	<b>249</b>	<b>–</b>	<b>120</b>
<b>Profit for the year attributable to owners of the parent</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,186</b>	<b>–</b>	<b>9,186</b>
<b>Total comprehensive income attributable to owners of the parent</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,186</b>	<b>–</b>	<b>9,186</b>
<b>Balance at 31 December 2021</b>	<b>\$3,107</b>	<b>\$60,687</b>	<b>\$2,007</b>	<b>\$(29,896)</b>	<b>\$(5,944)</b>	<b>\$29,961</b>
<b>Transactions with owners</b>						
Share-based expense	–	–	146	–	–	146
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>146</b>	<b>–</b>	<b>–</b>	<b>146</b>
<b>Profit for the year attributable to owners of the parent</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,865</b>	<b>–</b>	<b>7,865</b>
<b>Total comprehensive income attributable to owners of the parent</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,865</b>	<b>–</b>	<b>7,865</b>
<b>Balance at 31 December 2022</b>	<b>\$3,107</b>	<b>\$60,687</b>	<b>\$2,153</b>	<b>\$(22,031)</b>	<b>\$(5,944)</b>	<b>\$37,972</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	10,030	5,120
Adjustments for:		
Depreciation	1,643	1,551
Amortisation	180	180
Share-based payments	146	120
Paycheck Protection Program loans forgiven	–	(1,090)
Impairment of investment	–	900
Revaluation of derivative asset	(249)	–
Finance expense	327	299
Finance income	(13)	(17)
Tax paid	(31)	–
<b>Operating cash inflow before changes in working capital</b>	<b>12,033</b>	<b>7,063</b>
<b>Changes in working capital</b>		
Increase in trade and other receivables	(4,329)	(2,873)
(Increase)/decrease in inventories	(3,888)	3,360
Increase in trade and other payables	1,737	342
<b>Net cash inflow from operating activities</b>	<b>5,551</b>	<b>7,892</b>
<b>Cash flows from investing activities</b>		
Interest received	13	17
Acquisition of property, plant and equipment	(3,087)	(1,485)
<b>Net cash outflow from investing activities</b>	<b>(3,074)</b>	<b>(1,468)</b>
<b>Cash flows from financing activities</b>		
Term loan repayments	(1,429)	(1,429)
Revolving loan facility net payments	–	(2,718)
Interest paid	(311)	(386)
Lease payments	(74)	(110)
<b>Net cash outflow from financing activities</b>	<b>(1,814)</b>	<b>(4,643)</b>
<b>Net increase in cash and cash equivalents</b>	<b>665</b>	<b>1,781</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5,262</b>	<b>3,481</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$5,927</b>	<b>\$5,262</b>

## COMPANY BALANCE SHEET

	Note	31 December 2022 \$'000	31 December 2021 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary undertakings	28	17,199	17,199
<b>Total non-current assets</b>		<b>17,199</b>	<b>17,199</b>
<b>Current assets</b>			
Due from subsidiaries	28	20,112	20,792
Trade and other receivables	15	2	3
Cash and cash equivalents	17	94	163
<b>Total current assets</b>		<b>20,208</b>	<b>20,958</b>
<b>Total assets</b>		<b>\$37,407</b>	<b>\$38,157</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	152	137
<b>Total current liabilities</b>		<b>152</b>	<b>137</b>
<b>Equity attributable to the owners of the parent</b>			
Issued share capital	23	3,107	3,107
Share premium		60,687	60,687
Share-based payment reserve	24	2,153	2,007
Retained losses		(22,933)	(22,022)
Foreign currency reserve		(5,759)	(5,759)
<b>Total equity</b>		<b>37,255</b>	<b>38,020</b>
<b>Total equity and liabilities</b>		<b>\$37,407</b>	<b>\$38,157</b>

The loss for the financial year dealt with in the financial statements of the parent company was \$911k (2021 loss \$873k).

The financial statements on pages 48 to 82 were approved and authorised for issue by the Board and were signed on its behalf on 24 April 2023



**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					Total equity \$'000
	Share capital \$'000	Share premium \$'000	Share based payment reserve \$'000	Retained losses \$'000	Foreign currency reserve \$'000	
<b>Balance at 1 January 2021</b>	<b>\$3,107</b>	<b>\$60,687</b>	<b>\$2,136</b>	<b>\$(21,398)</b>	<b>\$(5,759)</b>	<b>\$38,773</b>
<b>Transactions with owners</b>						
Share-based expense	–	–	120	–	–	120
Share options lapsed and forfeited	–	–	(249)	249	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>(129)</b>	<b>249</b>	<b>–</b>	<b>120</b>
<b>Loss attributable to owners of the parent</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(873)</b>	<b>–</b>	<b>(873)</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(873)</b>	<b>–</b>	<b>(873)</b>
<b>Balance at 31 December 2021</b>	<b>\$3,107</b>	<b>\$60,687</b>	<b>\$2,007</b>	<b>\$(22,022)</b>	<b>\$(5,759)</b>	<b>\$38,020</b>
<b>Transactions with owners</b>						
Share-based expense	–	–	146	–	–	146
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>146</b>	<b>–</b>	<b>–</b>	<b>146</b>
<b>Loss attributable to owners of the parent</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(911)</b>	<b>–</b>	<b>(911)</b>
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(911)</b>	<b>–</b>	<b>(911)</b>
<b>Balance at 31 December 2022</b>	<b>\$3,107</b>	<b>\$60,687</b>	<b>\$2,153</b>	<b>\$(22,933)</b>	<b>\$(5,759)</b>	<b>\$37,255</b>

## 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 UK adopted International Accounting Standards ('IFRS') and IFRS Interpretations Committee ('IFRIC') 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, interpretations and amendments

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:

- IFRS17 (Insurance Contracts)
- IAS1 Amendment (Classification of Liabilities)
- IAS1 Amendment (Disclosure of Accounting Policies)
- IAS8 Amendment (Definition of Accounting Estimates)
- IAS12 Amendment (Deferred Tax related to Assets and Liabilities)

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 stated in thousands of US Dollars, 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 fulfilment costs.

#### **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 2021, all research and development expenditures were expensed as incurred.

**f) Going concern**

The Group considers that it is now well placed financially in light of recent reductions in debt, generation of profits and sustained upwards trends in iodine pricing. 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 2021. 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 described 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 1.2334 in 2022 (2021 1.3756), and at 31 December 2022 was 1.209 (2021: 1.351).

## j) Intangible assets

### 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

### 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.

#### **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 2022 and 2021, 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 based on the Group's historical credit losses experienced, then adjusted for current and forward looking information on factors affecting the Group's customers.

## **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.

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 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**

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. 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 2021 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. For this purpose management regards all the iodine production plants as a single cash generating unit given their mutual dependence on centralised management, financial, maintenance and sales and marketing functions. In carrying out impairment testing, management makes 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. Cash flow projections over the next five years were used and a discount rate of 10.83% was applied. 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<sup>®</sup> 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. Management applies the accounting policies set out in Note 1o) Inventories to determine the carrying value of raw materials, work in progress and finished goods (Note 13). Based on historical experience and current market intelligence, judgements are made as regards net realisable value, which may include but are not limited to obsolescence, usage in alternative formulations, production needs, market demand, costs to complete production, condition, regulatory requirements and limitations, and allocations of production overheads to the cost of work in progress and finished goods. Based on these assessments no requirement for provisions against the carrying value of inventories was identified.
- d. The carrying amount of the parent company's investment in its subsidiaries of \$37.3m (2021: \$38.0M) has been evaluated for impairment. The investment amounts include debts due from subsidiaries of \$20.1m (2021 \$20.8m). 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 \$37.3m (2021: \$38.0M) compares to carrying amounts of the subsidiaries' net assets, excluding loans from the parent company, of \$38.0m (2021: \$29.9m). 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 assessment took into account cash flow projections of the subsidiaries over the next five years, and applied a discount rate of 10.83%. The Group has concluded that no impairment provision is required.

- e. In accordance with IAS12 and in light of the Group's recent much improved profitability, and therefore its likely utilisation of its accumulated US Federal tax losses in the foreseeable future, a deferred tax asset reflecting the value of those losses at a tax rate of 21% was set up in the balance sheet as of 31 December 2021 and credited to tax in the profit and loss account. This asset is being amortised to the profit and loss account in line with reductions in tax payable resulting from utilisation of the losses. Management considers this treatment continues to be appropriate in light of the Group's ongoing profitability. The deferred tax asset balance at 31 December 2022 was \$1.9m (see Notes 8 and 25).

### 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.

	<b>31 December 2022</b>	<b>31 December 2021</b>
	\$	\$
<b>Assets</b>		
Halogen Derivatives and Iodine	52,706	44,445
<b>Total</b>	<b><u>\$52,706</u></b>	<b><u>\$44,445</u></b>
<b>Liabilities</b>		
Halogen Derivatives and Iodine	14,734	14,484
<b>Total</b>	<b><u>\$14,734</u></b>	<b><u>\$14,484</u></b>

### 3. Segment reporting (continued)

**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.

	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
<b>Assets</b>		
UK	96	166
USA	52,610	44,279
<b>Total</b>	<b>\$52,706</b>	<b>\$44,445</b>
<b>Liabilities</b>		
UK	153	137
USA	14,581	14,347
<b>Total</b>	<b>\$14,734</b>	<b>\$14,484</b>
<b>Revenue</b>		
North America	19,822	19,858
Asia	17,960	15,851
South America	3,588	3,148
Europe	783	156
Other	45	26
<b>Total</b>	<b>\$42,198</b>	<b>\$39,039</b>

**c. Significant customers** – in 2022 Iofina Chemical had six customers in excess of 5% of sales (2021 five customers). 2022 percentages were 11%, 8%, 7%, 7%, 6%, 6% (2021 percentages were 10%, 9%, 7%, 7%, 6%).

### 4. Profit before taxation

Profit before taxation is stated after charging:

	<b>Year ended 31 December 2022 \$'000</b>	<b>Year ended 31 December 2021 \$'000</b>
Depreciation expense	1,643	1,551
Amortisation expense	180	180
Other:		
Annual audit fees for audit of parent company and consolidated financial statements	65	82
Fees payable to the company's auditor for other services	–	8

#### 4. Profit before taxation (continued)

##### Cost of sales – analysis by nature

	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
Raw materials	12,872	14,912
Freight	657	782
Sales commission	378	359
Labour, manufacturing overhead and royalties	12,462	12,254
	<u>\$26,369</u>	<u>\$28,307</u>

##### Administrative expenses – analysis by nature

	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
Remuneration and benefits	2,955	2,582
Share-based payments	146	120
Office expenses	254	257
Professional services	655	554
Travel	169	75
Rent	(34)	(19)
Other	216	220
	<u>\$4,361</u>	<u>\$3,789</u>

Research and development expenses recognised during the period were \$237k (2021: \$241k), 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 2022 Number	Year ended 31 December 2021 Number
Production	80	81
Administrative	14	14
Sales	1	1
<b>Total staff</b>	<u>95</u>	<u>96</u>

	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
Wages and salaries	7,245	6,454
Social security costs	1,120	1,057
	<u>\$8,365</u>	<u>\$7,511</u>

## 5. Staff numbers and costs (continued)

Of the total staff costs above, \$5,600k (2021: \$5,120k) is included within cost of sales and \$2,765k (2021: \$2,391k) 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 2022 \$'000	Year ended 31 December 2021 \$'000
Wages and salaries	1,116	941
Social security costs	85	108
<b>Total key management cost</b>	<b>\$1,201</b>	<b>\$1,049</b>

Included within wages and salaries above is \$309k (2021: \$295k) in respect of the highest paid director. No options were exercised by a director in 2022 (2021 Nil).

## 6. Finance expense

	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
Term loan interest	310	345
Revolving loan facility interest	–	27
IFRS16 lease interest	16	(4)
<b>Total finance expense</b>	<b>\$326</b>	<b>\$368</b>

## 7. Finance income

	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
Interest income	13	17
	<b>\$13</b>	<b>\$17</b>

## 8. Taxation

	Year ended 31 December 2022 \$'000	Year ended 31 December 2021 \$'000
Current tax	31	–
Deferred tax (Note 25)	2,134	(4,066)
	<u>\$2,165</u>	<u>\$(4,066)</u>
<b>Tax reconciliation:</b>		
Profit on ordinary activities before tax	10,030	5,120
Tax at UK income tax rate of 19% (2021: 19%)	1,905	973
<b>Effects of:</b>		
Temporary differences	(149)	(110)
Permanent differences	10	(32)
UK losses not recognised	165	162
Difference in tax rates US/UK	203	105
Tax charge not recognised	–	(1,097)
Losses carried forward recognised as deferred tax asset	–	(4,066)
Current tax paid	31	–
<b>Total tax charge/(credit)</b>	<u>\$2,165</u>	<u>\$(4,066)</u>

As previously disclosed, the Group has accumulated US Federal tax losses that are expected to be deductible from future US Federal taxable profits subject to agreement with the relevant tax authorities. As of 31 December 2022 these losses are estimated to be approximately \$9.2 million (2021: \$19.4 million). To the extent US Federal tax losses are not utilised to offset current income taxes they will begin to expire in 2035.

In accordance with IAS 12 and in light of the Group's recent much improved profitability, and therefore its likely utilisation of its accumulated US Federal tax losses in the foreseeable future, a deferred tax asset of \$4.1m reflecting the value of those losses at a tax rate of 21% was set up in the balance sheet as of December 2021 and credited to tax in the consolidated statement of income. This asset is being adjusted to the consolidated statement of income in line with reductions in tax payable resulting from utilisation of the losses.

## 9. Earnings per share

The calculation of earnings per ordinary share is based on the profit after tax attributable to shareholders of \$7,865k (2021 profit \$9,186k) and the weighted average number of ordinary shares outstanding of 191,858,408 (2021: 191,858,408). After including the weighted average effect of dilutive share options of 4,186,203 (2021: 1,232,450) the diluted weighted average number of ordinary shares outstanding was 196,044,611 (2021 193,090,858).

## 10. Intangible assets (Group)

Details of intangible assets are set out below:

<b>Intangible assets</b>	<b>WET® patent</b>	<b>Customer relationships</b>	<b>Patent portfolio</b>	<b>EPA registrations</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cost</b>					
<b>At 1 January 2021</b>	2,700	661	187	271	3,819
<b>At 31 December 2021 &amp; 2022</b>	<b>\$2,700</b>	<b>\$661</b>	<b>\$187</b>	<b>\$271</b>	<b>\$3,819</b>
<b>Accumulated amortization</b>					
<b>At 1 January 2021</b>	2,057	661	212	271	3,176
Charge for the year	180	-	-	-	180
<b>At 31 December 2021</b>	2,237	661	187	271	3,356
Charge for the year	180	-	-	-	180
<b>At 31 December 2022</b>	<b>\$2,417</b>	<b>\$661</b>	<b>\$187</b>	<b>\$271</b>	<b>\$3,536</b>
<b>Carrying amounts</b>					
At 31 December 2020	\$643	-	-	-	\$643
At 31 December 2021	\$463	-	-	-	\$463
<b>At 31 December 2022</b>	<b>\$283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$283</b>

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

### 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 1.5 years

## 11. Goodwill (Group)

### Carrying amounts

At 31 December 2020, 31 December 2021 and 31 December 2022

\$'000

\$3,087

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 36 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 10.83% per annum was used. On this basis the net present value of cash flow exceeded the goodwill amount of \$3,087k.

### Sensitivity analysis

Projections based on the above assumptions show headroom of \$7.9m between the value in use of the business net of other assets of \$34.3m and the carrying value of \$26.4m, comprising goodwill of \$3.1m, other intangible assets of \$0.3m, and net business trading assets of \$23.0m. In order for the value in use to equal the carrying value it would be necessary for the discount rate to rise to 14.0% or the long term growth rate to be 4.25% negative or projected EBITDA to be lower by 20.4%. Based on the results of this impairment testing management are satisfied that a reasonably possible change in assumptions would not lead to an impairment.

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

	Exploration and Evaluation Assets						Total \$'000
	Montana Atlantis Field \$'000	Freehold Land \$'000	Buildings \$'000	Right of use \$'000	Equipment and Machinery \$'000	Construction in Progress \$'000	
<b>Cost</b>							
<b>At 1 January 2021</b>	236	209	1,730	355	25,064	636	28,230
Transfers	(236)	–	276	–	1,124	(1,164)	–
Additions	–	–	38	415	168	1,279	1,900
Disposals	–	–	–	(18)	(80)	–	(98)
<b>At 31 December 2021</b>	<b>–</b>	<b>\$209</b>	<b>\$2,044</b>	<b>\$752</b>	<b>\$26,276</b>	<b>\$751</b>	<b>\$30,032</b>
Transfers	–	–	(37)	–	103	(113)	(46)
Additions	–	–	18	–	230	2,885	3,133
<b>At 31 December 2022</b>	<b>–</b>	<b>\$209</b>	<b>\$2,025</b>	<b>\$752</b>	<b>\$26,610</b>	<b>\$3,524</b>	<b>\$33,119</b>
<b>Accumulated depreciation</b>							
<b>At 1 January 2021</b>	–	–	492	205	8,751	–	9,448
Charges for the year	–	–	57	96	1,398	–	1,551
Disposals	–	–	–	–	(80)	–	(80)
<b>At 31 December 2021</b>	<b>–</b>	<b>–</b>	<b>\$549</b>	<b>\$301</b>	<b>\$10,069</b>	<b>–</b>	<b>\$10,919</b>
Charges for the year	–	–	61	104	1,479	–	1,644
<b>At 31 December 2022</b>	<b>–</b>	<b>–</b>	<b>\$610</b>	<b>\$405</b>	<b>\$11,548</b>	<b>–</b>	<b>\$12,563</b>
<b>Carrying amounts</b>							
<b>At 31 December 2020</b>	\$236	\$209	\$1,238	\$150	\$16,313	\$636	\$18,782
<b>At 31 December 2021</b>	–	\$209	\$1,495	\$451	\$16,207	\$751	\$19,113
<b>At 31 December 2022</b>	–	\$209	\$1,415	\$346	\$15,062	\$3,524	\$20,557

### Right-of-use assets

Right-of-use assets relate to the Group's lease on office premises in Denver, Colorado. During 2021 the expiry date of the lease was extended from April 2022 to April 2026, and an amount of \$415k was capitalised as an addition in respect of future rentals, in accordance with IFRS 16. Liabilities for future payments are shown in Note 19.

### Release of plant acquisition accrual

An accrual balance of \$0.45m relating to the acquisition of #IO2 plant is no longer considered to be required, and has therefore been transferred to income. No claims have been made and the period of validity for such claims has expired.

### 13. Inventories

Group	31 December 2022 \$'000	31 December 2021 \$'000
Raw materials	7,231	4,487
Work in progress	2,895	1,753
Finished goods	58	56
	<b>\$10,184</b>	<b>\$6,296</b>

At year end, there were no provisions against the carrying value of inventories (2021: nil). During the year, the cost of inventories recognised as expense and included in 'cost of sales' amounted to \$25,334k (2021: \$27,165k).

### 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 no other borrowings currently drawn (see Note 20).

#### Financial assets and liabilities

Group	Loans and receivables at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Investment and swap liability at fair value \$'000	Total \$'000
<b>2022</b>				
Cash and cash equivalents	5,927			5,927
Trade receivables	9,950			9,950
Interest rate swap asset			249	249
				<b>\$16,126</b>
Trade payables		2,510		2,510
Accrued liabilities		5,028		5,028
Lease liabilities		410		410
Term loan		6,785		6,785
				<b>\$14,733</b>
<b>2021</b>				
Cash and cash equivalents	5,262			5,262
Trade receivables	5,653			5,653
				<b>\$10,915</b>
Trade payables		1,521		1,521
Accrued liabilities		4,281		4,281
Lease liabilities		468		468
Term loan		8,214		8,214
				<b>\$14,484</b>

#### 14. Financial instruments (continued)

Company	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
2022	\$'000	\$'000	\$'000
Cash and cash equivalents	94		94
Other receivables	2		2
Due from subsidiaries	20,112		20,112
			<b>\$20,208</b>
Accruals		153	153
			<b>\$153</b>
<b>2021</b>			
Cash and cash equivalents	163		163
Other receivables	3		3
Due from subsidiaries	20,792		20,792
			<b>\$20,958</b>
Accruals		137	137
			<b>\$137</b>

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 2022, 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 (if drawn) 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 \$94k (GBP £78k) 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

#### 14. Financial instruments (continued)

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, insurance of certain foreign receivables, 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.

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

Group	Up to 3	Between 3	Between 1	Between 2
	months	and 12	and 2 years	and 6 years
At 31 December 2022:	\$'000	\$'000	\$'000	\$'000
Trade payables	2,510	–	–	–
Accrued liabilities	2,059	2,969	–	–
Lease liabilities	19	82	260	49
Term loan	357	1,071	1,429	3,929
	<b>\$4,944</b>	<b>\$4,122</b>	<b>\$1,689</b>	<b>\$3,978</b>

Group	Up to 3	Between 3	Between 1	Between 2
	months	and 12	and 2 years	and 6 years
At 31 December 2021:	\$'000	\$'000	\$'000	\$'000
Trade payables	1,521	–	–	–
Accrued liabilities	1,476	2,804	–	–
Lease liabilities	2	56	102	309
Term loan	357	1,071	1,429	5,357
	<b>\$3,356</b>	<b>\$3,931</b>	<b>\$1,531</b>	<b>\$5,666</b>

##### Commodity risk

The Group is exposed to movements in the price of raw iodine. Sales of iodine based products were \$31,422k (2021: \$30,473k). The effects of changes in the price of iodine on 2022 revenue and profits are set out in the Financial Review on pages 7 to 9. Iodine is produced internally and is the most significant cost component for iodine based products.

## 15. Trade and other receivables

### Group

	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
Trade receivables	9,950	5,653
Prepayments and other receivables	537	505
	<b><u>\$10,487</u></b>	<b><u>\$6,158</u></b>

### Company

	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
Prepayments and other receivables	2	3
	<b><u>\$2</u></b>	<b><u>\$3</u></b>

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.

## 17. Cash and cash equivalents

### Group

	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
Cash in US Dollar accounts	5,833	5,099
Cash in GB Pound Sterling accounts	94	163
	<b><u>\$5,927</u></b>	<b><u>\$5,262</u></b>

### Company

	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
Cash in GB Pound Sterling accounts	94	163
	<b><u>\$94</u></b>	<b><u>\$163</u></b>

**18. Trade and other payables**

<b>Group</b>	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
Trade payables	2,510	1,521
Accrued expenses and deferred income	5,028	4,281
	<u><b>\$7,538</b></u>	<u><b>\$5,802</b></u>
<b>Company</b>	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
Accrued expenses	153	137
	<u><b>\$153</b></u>	<u><b>\$137</b></u>

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 bank facilities described in Note 20, the Group and Company have not pledged any assets as collateral for any liabilities or contingent liabilities.

**19. Lease liabilities**

	<b>31 December 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
Lease liabilities – current	101	58
Lease liabilities – non-current	309	410
	<u><b>\$410</b></u>	<u><b>\$468</b></u>
<b>Movements:</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Opening balance	468	186
Payments	(74)	(110)
Lease extension liabilities	–	405
Interest accrued	16	(4)
Adjustments	–	(9)
	<u><b>\$410</b></u>	<u><b>\$468</b></u>

Lease liabilities relate to the Group's lease on office premises in Denver, Colorado, which was extended during 2021 to run till 30 April 2026. 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 or the extension period. Lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced by lease payments made.

## 20. Term loans and Revolving loan facility

	Term loan \$'000	Revolving loan facility \$'000
<b>At 1 January 2021</b>	<b>\$9,643</b>	<b>\$2,718</b>
Term loan instalment repayments	(1,429)	–
Revolving loan facility net payments	–	(2,718)
<b>At 31 December 2021</b>	<b>\$8,214</b>	<b>–</b>
Term loan instalment repayments	(1,429)	–
<b>At 31 December 2022</b>	<b>\$6,785</b>	<b>–</b>
<b>Due within one year</b>	<b>\$1,429</b>	<b>–</b>
<b>Due after one year</b>	<b>\$5,357</b>	<b>–</b>

The above bank facilities, with First Financial Bank of Ohio, are fully secured by fixed and floating charge and the principal terms are:

### Term loan

a) The term loan balance of \$6.8m (2021 \$8.2m) relates to a \$10.0m loan drawn down in September 2020 and repayable in full by equal monthly instalments over the seven years to 30 September 2027. 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 the one month Secured Overnight Financing Rate (“SOFR”), subject to a minimum SOFR rate of 1.00%. Repayment of all or part of the loan may be made at any time without penalty.

### Revolving loan facility

b) The revolving loan facility is for \$6.0m over the period to September 2024, and may be drawn and repaid in variable amounts at the Group’s discretion. 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 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 2.4% above SOFR, subject to a minimum SOFR rate of 1.00%.

### Additional facilities

c) There are further facilities for capital projects totalling \$4.36m that are available but have not yet been drawn.

### Swap contract

d) The derivative asset resulting from the swap contract described above as at 31 December 2022 has been revalued by reference to market expectations for future SOFR rates, and an amount of \$249k has been credited to comprehensive income (2021 \$69k) and included in the balance sheet. During the year the swap contract generated a net reduction of interest otherwise payable of \$23k.

## 21. Net debt

Net debt excludes lease liabilities totalling \$410k (2021 \$468k) and is made up as follows:

	2022 \$'000	2021 \$'000
Term loan	(6,785)	(8,214)
Cash and cash equivalents	5,927	5,262
Net debt at 31 December	<u>\$(858)</u>	<u>\$(2,952)</u>

## 23. Share capital

		31 December 2022	31 December 2021
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 or share premium in 2022.

## 24. Share based payments

On 9 March 2022 options over 1,196,700 ordinary shares of the Company, representing 0.62% 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 9 March 2022 of 17.6p per share, with 50% vesting after one year on 9 March 2023 and 50% vesting after two years on 9 March 2024. 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 17.6p, an expected term of 5.75 years, historical volatility of 74.88% and a risk free rate of 1.9%. The resulting valuation of \$179,658 is being amortised over the vesting periods, and \$109,591 has been charged as an expense in respect of the period from 9 March 2022 to 31 December 2022.

No options lapsed or were forfeited or exercised during the year. In 2021 a total of 1,378,250 options either lapsed or were forfeited. There were 5,000,400 total options outstanding at 31 December 2022, representing 2.61% of shares in issue.

## 24. Share based payments (continued)

Options granted to directors and key employees and outstanding at 31 December 2022 are as follows:

Date of Grant	Number of Options	Vesting Date	Share	Exercise	Exercise	Exercise
			Price	Price	Price	Price
			£	£	\$	\$
13 June 2018	880,000	13 June 2019	0.162	0.162	0.20	0.22
13 June 2018	880,000	13 June 2020	0.162	0.162	0.20	0.22
25 July 2019	451,000	25 July 2020	0.213	0.213	0.26	0.29
25 July 2019	451,000	25 July 2021	0.213	0.213	0.26	0.29
16 December 2020	570,850	16 December 21	0.125	0.125	0.15	0.17
16 December 2020	570,850	16 December 22	0.125	0.125	0.15	0.17
9 March 2022	598,350	9 March 2023	0.176	0.176	0.21	-
9 March 2022	598,350	9 March 2024	0.176	0.176	0.21	-
<b>Weighted average</b>	<b>5,000,400</b>		<b>£0.17</b>	<b>£0.17</b>	<b>\$0.20</b>	<b>\$0.22</b>

The weighted average contractual life of options outstanding at 31 December 2022 was 7.1 years (2021 7.5 years).

Exercise prices shown in USD are based on the US Dollar/Pounds Sterling exchange rate at 31 December 2022 of 1.21 (2021 1.351). Options outstanding at 31 December 2022 expire the earlier of ten years from grant date or 90 days after the termination of service to the Company.

	2022 Number of Options	Weighted average exercise price		2021 Number of Options	Weighted average exercise price	
		£	\$		£	\$
<b>Options outstanding</b>						
At 1 January	<b>3,803,700</b>	<b>£0.16</b>	<b>\$0.22</b>	<b>5,181,950</b>	<b>£0.19</b>	<b>\$0.26</b>
Granted	1,196,700	£0.18	\$0.21	-	-	-
Lapsed	-	-	-	(985,000)	£0.30	\$0.41
Forfeited	-	-	-	(393,250)	£0.16	\$0.22
At 31 December	<b>5,000,400</b>	<b>£0.17</b>	<b>\$0.20</b>	<b>3,803,700</b>	<b>£0.16</b>	<b>\$0.22</b>
<b>Options exercisable</b>						
At 1 January	3,232,850	£0.21	\$0.28	3,457,250	£0.21	\$0.28
Lapsed	-	£0.30	\$0.41	(985,000)	£0.30	\$0.41
Forfeited	-	£0.17	\$0.23	(261,250)	£0.17	\$0.23
Vested	570,850	£0.16	\$0.22	1,021,850	£0.16	\$0.22
At 31 December	<b>3,803,700</b>	<b>£0.17</b>	<b>\$0.23</b>	<b>3,232,850</b>	<b>£0.17</b>	<b>\$0.23</b>

## 24. Share based payments (continued)

Movements in the Share-based payment reserve were as follows:

	31 December 2022 \$'000	31 December 2021 \$'000
Balance 1 January	2,007	2,136
Share-based payment charge	146	120
Lapsed and forfeited options	-	(249)
Balance 31 December	<u>\$2,153</u>	<u>\$2,007</u>

## 25. Deferred tax

	2022 \$'000	2021 \$'000
At 1 January	4,066	-
Prior years US Federal tax losses available for offset against future US Federal taxable profits (see note 8)	-	4,066
Prior years tax losses utilized against US Federal tax liability (see Note 8)	(2,134)	-
At 31 December	<u>\$1,932</u>	<u>\$4,066</u>

## 26. Related party transactions

Transactions between group companies were as follows:

	2022 \$'000	2021 \$'000
<b>Iofina Resources to/(from) Iofina Chemical:</b>		
Crystallised iodine sales	22,115	16,059
Expenses recharged (net)	(200)	(903)
<b>Iofina Plc to/(from) Iofina Resources:</b>		
Management fee	50	50
Funding payments	(750)	(1,000)
Expenses recharged	(7)	(2)
<b>Iofina Plc to/(from) Iofina Chemical:</b>		
Management fee	50	50
Expenses recharged	(22)	(19)

In both 2021 and 2022 all iodine produced by Iofina Resources was sold to Iofina Chemical.

Additional related party transactions with directors, who are considered to be key management personnel, are set out in the Corporate Governance Statement on page 27. Option grants as described in note 24 are to employees and Directors.

## 26. Related party transactions (continued)

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.

## 27. 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 \$38.0 million as at 31 December 2022 (2021: \$30.0 million).

## 28. Subsidiary undertakings

### Investment in subsidiaries

<b>Company</b>	<b>Investment in subsidiaries \$'000</b>
Balance at 31 December 2020, 2021 and 2022	<u>\$17,199</u>

### Due from subsidiaries

<b>Company</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
At 1 January	20,792	21,712
Management fees	100	100
Funding from subsidiaries	(750)	(1,000)
Expenses recharged to Plc	(30)	(20)
At 31 December	<u>\$20,112</u>	<u>\$20,792</u>

The Group's debt arrangements are 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 in the consolidated balance sheet, and does not appear in the balance sheet of Iofina Plc.

<b>Company</b>	<b>Country of incorporation and operation</b>	<b>Principal activity</b>	<b>Interest in ordinary shares and voting rights</b>
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	Dormant	100%
Iofina Resources, LLC	United States/CO	Dormant	100%
Iofina Resources, LLC	United States/TX	Dormant	100%

## 28. 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., Iofina Chemical, Inc. and IofinaEX, Inc. Other entities are subsidiaries of Iofina Resources, Inc., the iodine production company.

The registered offices of the above companies are as follows:

<b>Company</b>	<b>Registered office</b>
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

## 29. Capital commitments

At 31 December 2022 the Group had capital commitments amounting to approximately \$2m in respect of completion of construction of #IO9 plant.

## 30. Post balance sheet events

There were no post balance sheet events.

## 31. Contingent liabilities

The Group considers that a contingent liability exists in respect of overdue interest on amounts that may be due in relation to certain iodine related property rights. The theoretical exposure is estimated at approximately \$300k, but past experience suggests that amounts actually paid will be a relatively small proportion of that amount.

## 32. 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](http://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.



