



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

### Enheten

|                      |  |
|----------------------|--|
| Organisasjonsnummer: | 986 665 943                              |
| Organisasjonsform:   | Norskreg. utenlandsk foretak             |
| Foretaksnavn:        | SINOMINE SPECIALTY FLUIDS LIMITED<br>NUF |
| Forretningsadresse:  | Tranesvegen 29<br>5347 ÅGOTNES           |

### Regnskapsår

|                         |                         |
|-------------------------|-------------------------|
| Årsregnskapets periode: | 01.01.2022 - 31.12.2022 |
|-------------------------|-------------------------|

### Konsern

|                       |     |
|-----------------------|-----|
| Morselskap i konsern: | Nei |
|-----------------------|-----|

### Regnskapsregler

|  |                                    |
|--|------------------------------------|
| Regler for små foretak benyttet:                           | Nei                                |
| Benyttet ved utarbeidelsen av årsregnskapet til selskapet: | Regnskapslovens alminnelige regler |

### Årsregnskapet fastsatt av kompetent organ

|  |                     |
|--|---------------------|
| Bekreftet av representant for selskapet: | Christian Busengfal |
| Dato for fastsettelse av årsregnskapet:  | 05.04.2023          |

### Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 26.05.2026



## Resultatregnskap

| Beløp i: USD                      | Note | 2022              | 2021              |
|-----------------------------------|------|-------------------|-------------------|
| <b>RESULTATREGNSKAP</b>           |      |                   |                   |
| <b>Inntekter</b>                  |      |                   |                   |
| Turnover                          |      | 61 614 000        | 66 480 000        |
| <b>Sum inntekter</b>              |      | <b>61 614 000</b> | <b>66 480 000</b> |
| <b>Kostnader</b>                  |      |                   |                   |
| Cost of goods sold                |      | 26 677 000        | 23 730 000        |
| Distribution cost                 |      | 3 020 000         | 1 581 000         |
| Net operating expense             |      | 3 078 000         | 3 423 000         |
| Other operating income/(expense)  |      | 0                 | -6 000            |
| Exceptional items                 |      | -10 000           | 26 000            |
| <b>Sum kostnader</b>              |      | <b>32 765 000</b> | <b>28 754 000</b> |
| <b>Driftsresultat</b>             |      | <b>28 849 000</b> | <b>37 726 000</b> |
| <b>Netto finans</b>               |      |                   |                   |
| <b>Resultat før skattekostnad</b> |      | <b>28 849 000</b> | <b>37 726 000</b> |
| Taxation                          |      | 6 354 000         | 10 715 000        |
| <b>Årsresultat</b>                |      | <b>22 495 000</b> | <b>27 011 000</b> |



### Balanse

| Beløp i: USD                                   | Note | 2022               | 2021               |
|--|------|--------------------|--------------------|
| <b>BALANSE - EIENDELER</b>                     |      |                    |                    |
| <b>Anleggsmidler</b>                           |      |                    |                    |
| <b>Immaterielle eiendeler</b>                  |      |                    |                    |
| <b>Varige driftsmidler</b>                     |      |                    |                    |
| Tangible assets                                |      | 110 732 000        | 114 240 000        |
| <b>Sum varige driftsmidler</b>                 |      | <b>110 732 000</b> | <b>114 240 000</b> |
| <b>Sum anleggsmidler</b>                       |      | <b>110 732 000</b> | <b>114 240 000</b> |
| <b>Omløpsmidler</b>                            |      |                    |                    |
| <b>Varer</b>                                   |      |                    |                    |
| Stocks   |      | 4 490 000          | 4 437 000          |
| <b>Sum varer</b>                               |      | <b>4 490 000</b>   | <b>4 437 000</b>   |
| <b>Fordringer</b>                              |      |                    |                    |
| Debtors  |      | 15 687 000         | 15 993 000         |
| <b>Sum fordringer</b>                          |      | <b>15 687 000</b>  | <b>15 993 000</b>  |
| <b>Bankinnskudd, kontanter og lignende</b>     |      |                    |                    |
| Cash at bank and in hand                       |      | 3 915 000          | 5 573 000          |
| <b>Sum bankinnskudd, kontanter og lignende</b> |      | <b>3 915 000</b>   | <b>5 573 000</b>   |
| <b>Sum omløpsmidler</b>                        |      | <b>24 092 000</b>  | <b>26 003 000</b>  |
| <b>SUM EIENDELER</b>                           |      | <b>134 824 000</b> | <b>140 243 000</b> |
| <b>BALANSE - EGENKAPITAL OG GJELD</b>          |      |                    |                    |
| <b>Egenkapital</b>                             |      |                    |                    |
| <b>Innskutt egenkapital</b>                    |      |                    |                    |
| <b>Opptjent egenkapital</b>                    |      |                    |                    |
| Profit and loss reserve                        |      | 108 958 000        | 106 463 000        |
| <b>Sum opptjent egenkapital</b>                |      | <b>108 958 000</b> | <b>106 463 000</b> |



## Balanse

| <b>Beløp i: USD</b>                 | <b>Note</b> | <b>2022</b>        | <b>2021</b>        |
|-------------------------------------|-------------|--------------------|--------------------|
| <b>Sum egenkapital</b>              |             | <b>108 958 000</b> | <b>106 463 000</b> |
| <b>Sum langsiktig gjeld</b>         |             | <b>0</b>           | <b>0</b>           |
| <b>Kortsiktig gjeld</b>             |             |                    |                    |
| amounts falling due within one year |             | 12 871 000         | 22 327 000         |
| Provisions for liabilities          |             | 12 995 000         | 11 453 000         |
| <b>Sum kortsiktig gjeld</b>         |             | <b>25 866 000</b>  | <b>33 780 000</b>  |
| <b>Sum gjeld</b>                    |             | <b>25 866 000</b>  | <b>33 780 000</b>  |
| <b>SUM EGENKAPITAL OG GJELD</b>     |             | <b>134 824 000</b> | <b>140 243 000</b> |



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Commercial in confidence

## Sinomine Specialty Fluids Limited

Annual report and financial statements  
for the year ended 31 December 2022

**Registered Number SC253611**



## **Sinomine Specialty Fluids Limited**

### **Annual report and financial statements for the year ended 31 December 2022**

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## **Sinomine Specialty Fluids Limited**

### **Officers and professional advisers**

#### **Directors**

Christian Magne Busengdal  
Pingwei Wang  
Zhiwei Wang  
Xiangyang Zeng

#### **Registered Office**

Sinomine Specialty Fluids Limited  
Ocean House  
Harness Circle  
Altens Industrial Estate  
Aberdeen  
AB12 3LY

#### **Auditor**

Grant Thornton UK LLP  
110 Queen Street  
Glasgow  
G1 3BX

#### **Bankers**

HSBC UK Bank Plc  
1 Centenary Square  
Birmingham  
B1 1HQ



## Sinomine Specialty Fluids Limited

### Strategic report

The directors, in preparing this Strategic report and the directors' report have complied with s414C of the Companies Act 2006.

#### Review of activities and business developments

The business continues to supply high performance formate brines to customers globally. In 2022 commercial activity has taken place in the UK North Sea, the Norwegian continental shelf, and with customers in Asia.

From October 2022 production of high density cesium formate product commenced with a related party.

#### Key performance indicators ("KPIs")

In the period revenue decreased by \$4m, 2022 \$62m; 2021 \$66m. In 2021 revenue activity in Norway was high when significant ongoing projects came to fruition, in 2022 operations have a larger geographical spread – in addition to Norway operations there are key ongoing projects in the UK sector and in Asia. The company's commercial team pursues global opportunities where cesium formate brine will bring optimal performance and value for customers. Gross margin has decreased by 7%, 2022 57%; 2021 64%, this is due to increased costs required to support global operations and cost pressure from the external environment.

The net asset position has slightly increased by \$3m, 2022 \$109m, 2021 \$106m - fluid consumed on customer projects is deducted from the asset balance and charged as fluid lost or sold. Purchases of cesium formate commenced in October 2022 to top up the resource of high density fluids. Demand and opportunities are continually under review by management to assess the requirements of the business. Dividend of \$24m was paid to the immediate parent during 2022 thus the net asset balance has increased slower than it would have otherwise.

#### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements. This is discussed in more detail in the accounting policies on page 15.

#### Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes on price risk, credit risk, and liquidity risk. Regular analysis is prepared for management to assess the asset value and liquidity position.

The company continually monitors the activity levels of the oil and gas industry in the areas that the company is actively engaged in. Through continued commitment to research and development projects the company strives to identify additional applications of cesium formate, to increase its exposure within the oil and gas sector.

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

#### Price risk

The company is exposed to commodity price risk as a result of its operations. However, considering the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors monitor the increase in the level of the company's operations compared to prior financial periods and will continue to revisit the appropriateness of this policy should the company's operations continue to change in size or nature. There have been no such changes in the 2022 period.



## Sinomine Specialty Fluids Limited

### Strategic report

#### Credit risk

Sales are predominately contracted directly to major international oil companies or through two major oilfield service companies on behalf of international oil companies. Direct sales of cesium, potassium, and fine cesium chemicals to smaller customers account for approx. 0.4% of total revenue in 2022 (2021: 5%). Appropriate credit checks in accordance with company policy are completed on all potential customers before any sale agreements are implemented.

#### Liquidity risk

The company is principally financed from cash flows from operating activities. Funding can be requested from the immediate parent if required.

#### Global Operations

The global business environment is ever-changing. The UK government has placed notable sanctions on persons and companies with Russian connections. The company continue to monitor the changing situation to ensure compliance and safety. The business has not been directly impacted however costs are increasing due to the fluctuating global economic situation.

#### Section 172(1) Statement 2022

The directors comply with Section 172(1) a to f of the Companies Act 2006. The impact to the stakeholders of the business is considered when the directors are making decisions. The key stakeholder groups are company employees, the shareholder, customers, suppliers, the environment and community. The management team are appointed to carry out the day-to-day operations of the business and to report to the board for key decisions. Two of the directors have operational roles so are heavily involved in the running of the business.

- **Employees**

The company employs personnel through both the UK entity and the foreign branch in Norway. There is a quarterly business update which all employees are invited to attend, certain Directors are also in attendance. The update provides information on progress against company targets, an update on upcoming operational activities, as well as the strategic group focus. Employees can submit questions to management and directors before or during the update to raise any issues and this can be done confidentially if an employee wishes. Questions are addressed during the session with follow up afterwards as required.

Objectives are set annually following the Management Meeting Review and the progress of these is reviewed quarterly in a meeting involving Directors and managers. Annual appraisals between line managers and employees take place whereby objectives are set for individuals to feed in to departmental and company objectives. The company has a compensation structure in place whereby employees are rewarded when company and individual targets are met.

- **Customer Relationships**

The company works closely with customers to achieve their goals through the use of cesium formate brines. Key focus is on high quality of service for the customer. Collaboration begins before projects commence to ensure the product is suitable and the correct formulation is prepared for the conditions and desired result. The commercial process is overseen by the directors who have direct involvement.

The company has a shared goal with customers to minimise the losses of cesium formate this is beneficial for the customer as their cost is lower and the resource is preserved to be utilised again in future. The company aims to prolong the useful life of the main product which is a finite resource (cesium formate).

Following projects feedback is sought from customers as fed back to the directors. The company has worked with customers previously to produce research papers with results and learnings from projects. Such activities are beneficial for the company and the customer.



## Sinomine Specialty Fluids Limited

### Strategic report

- **Supplier Relationships**

It is important to have mutually beneficial relationships with suppliers. There is an internal supplier set up process which is followed to ensure the same selection/acceptance criteria is used for suppliers. The company strives to meet agreed payment terms working with respect and integrity with suppliers. An internal reporting process exists where supplier issues can be recorded, this is reviewed by management periodically and actions assigned for resolution.

- **Community and Environment**

Environmental impacts of the business are a key consideration and the company achieved its recertification to ISO 14001 Environmental Standard in 2022. Directors and Managers regularly review the performance of the Environmental Management System to ensure it is fit for purpose.

The circular business model is enabled by an award-winning rental model (in chemical leasing) where the product ownership is retained by the company. The rental model encourages customers to minimise brine losses and return fluid after use. A design for recycling (DFR) and product life extension (PLE) strategy drives the fluid formulation work, its use, reclamation and reuse of cesium formate brines. In summary, this minimises the demand of new cesium, which is a finite resource. Through this circular business model, the company aim is to limit losses and re-use resources where possible to minimise impact to the environment.

Directors and management regularly review environmental impacts and aspects to achieve the company goal of zero harm. A three year plan is in place for reduction of emissions, progress reporting is provided to the directors. Environmental reporting has been carried out periodically during the year, a new carbon emission and environmental report is to be introduced in 2023 to track performance on a monthly basis.

Safety is an important focus for the Directors. Sinomine Specialty Fluids is committed to ensuring we are a leader in conducting business responsibly with respect to the safety, health and welfare of our employees, customers, the public, and the environment. The Health, Safety, and environmental ("HSE") commitment is a core value of the company and an integral part of the business activities.

Approved by the board of directors and signed on its behalf by Xiangyang Zeng.

5/4/2023



## Sinomine Specialty Fluids Limited

### Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2022.

Going concern and financial risks are discussed in the strategic report.

#### Principal activity

The primary activity of the company is to lease and sell formate fluids for use in the oil and gas industry. The company operates in Norway (through an overseas branch), and global operations are supported from the UK facility in Aberdeen. Activity in the North Sea is a key area for the application of the company's product and further opportunities in Asia are being explored by the commercial team.

#### Research and development

The company invests in research and development to enhance the marketability of its products and to improve operational processes. There is focus on continual improvements in processes to remove contaminants from products for reuse. Cesium is a finite resource and the business must seek to minimise losses so that the product life is prolonged and wastage is minimal. The directors' note that the Oil & Gas sector is focussed on operational efficiency – this too is the focus for the company. Improving the operational processes and minimising waste/losses is key to ensure the future of the business and is of benefit to customers.

#### SECR Reporting

The Directors are focused on Environmental reporting to identify areas that can be improved in terms of usage and carbon footprint. Tracking of the key usage areas below provokes discussion on improvement.

#### Greenhouse gas emissions

The company is reporting its second year of greenhouse gas emissions, in line with the requirements of the companies Act 2006 and its applicable provisions. Our total emissions are reported in kilogrammes of CO<sub>2</sub> equivalent (kgCO<sub>2</sub> e) in the tables below.

The reporting Period is 1<sup>st</sup> January 2022 to 31<sup>st</sup> of December 2022. Also included are results from 2021 for comparison.

#### Methodology

Sinomine Specialty Fluids follows the principles of the Greenhouse Gas (GHG) Protocol Corporate Accounting and reporting standard, together with BEIS conversion tables to calculate scope one, two and three emissions from our operations in the United Kingdom.

Reported scope one emissions are those generated from gas use at our facility in Aberdeen and Diesel use of onsite vehicles (Forklift trucks). Reported Scope 2 emissions are generated from the use of electricity at our Aberdeen facility. Scope 3 emissions are related to employee-owned vehicles where they were used for business purposes, utilising the BEIS conversion factor to convert expensed mileage claims into kgCO<sub>2</sub>e.

| <u>Scope 1</u>                                  | 2022           | 2021           |
|---|----------------|----------------|
| Gas Use (kWh)                                   | 977,107        | 784,014        |
| Gas Emissions (kgCO <sub>2</sub> e)             | 175,879        | 143,600        |
| SSF owned/leased vehicles (kgCO <sub>2</sub> e) | 25             | 557            |
| <b>Scope 1 Total (kgCO<sub>2</sub> e)</b>       | <b>175,904</b> | <b>144,157</b> |



## Sinomine Specialty Fluids Limited

### Directors' report

#### SECR Reporting

##### Methodology (continued)

##### Scope 2

|   |                   |                    |
|---|-------------------|--------------------|
| Electricity Use (kWh)                       | 425,261           | 418,396            |
| Electricity Emissions (kgCO <sub>2</sub> e) | 82,237(0)*        | 88,838 (0)*        |
| <b>Scope 2 Total (kgCO<sub>2</sub> e)</b>   | <b>82,237(0)*</b> | <b>88,838 (0)*</b> |

\* Market based electricity figures

##### Scope 3

|   |                |                |
|---|----------------|----------------|
| Employee owned vehicles (kgCO <sub>2</sub> e)   | 8,583          | 1,083          |
| <b>Scope 3 Total (kgCO<sub>2</sub> e)</b>       | <b>8,583</b>   | <b>1,083</b>   |
| <b>Total GHG emissions (kgCO<sub>2</sub> e)</b> | <b>266,724</b> | <b>234,078</b> |
| (With market-based electricity figure)          | (184,487)      | (145,240)      |

##### Intensity Ratio

|   |        |        |
|---|--------|--------|
| GHG Emissions (tonnes CO <sub>2</sub> e) per MT of fluid processed. | 204.54 | 145.93 |
|---|--------|--------|

##### 2022 performance

2022 saw improvements including UK site lighting both internally and externally being upgraded to low emission LED units, replacement of Diesel Forklifts for Electric Forklifts at all our Sites and implementation of a water reuse program for washdown water. However, despite these improvements, there has been an increase in overall carbon emissions compared to 2021.

Increased UK based projects in 2022, and fluid that required higher levels of reclamation after return from clients and an increased requirement for use of hot rolling ovens for fluid qualification were all factors in this increase.

The carbon emission intensity ratio will be re-evaluated in 2023 to ensure this is a meaningful figure. Due to the company's rental model and reclamation processes it is challenging to set an intensity ratio as preparation, delivery and recovery of fluid often span 2 years of reporting.



## Sinomine Specialty Fluids Limited

### Directors' report

#### SECR Reporting (continued)

##### Future Actions

The company set out a 3-year plan in 2022 for addressing Carbon Emissions. This 3-year plan focuses on identifying strategies to reduce Scope 1 and 2 emissions as well as identifying our Scope 3 emissions for future reporting. This 3-year plan will feed in to a more detailed 5-year plan paving the company's pathway towards net zero emissions.

##### **Existence of branches outside the UK**

The company has a branch, as defined in section 1046(3) of the Companies Act 2006, outside the UK in Norway. The company did have a branch in Singapore which ceased operations in June 2020 and was struck off the register of companies (ACRA) in June 2021 – the entity was deemed no longer required for continuing global operations.

##### **Dividends and transfers to reserves**

A dividend of \$20,000k was declared during 2022 to the shareholder Sinomine Hong Kong Rare Metals Co., Limited. The dividend was distributed as follows: \$16,774k cash, \$3,226k remains in the intercompany creditors balance at the year end.

The profit for the year ended 31 December 2022 is \$22,383k (year ended 31 December 2021: profit of \$27,011k) has been taken to reserves.

##### **Directors**

The directors who served the company during the year ended 31 December 2022 were as follows:

Mr C M Busengdal  
Xiangyang Zeng  
Zhiwei Wang  
Yong Shang

##### **Directors responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland). 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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and;



## Sinomine Specialty Fluids Limited

### Directors' report

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of 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 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Qualifying third party indemnity provisions

Directors' indemnity insurance was in place throughout the financial period.

#### Statement of engagement with suppliers, customers and others in a business relationship with the company

The company gives careful consideration of impacts to stakeholders in relation to business decisions. The directors are aware that some decisions can have negative outcomes for some stakeholder groups – relevant information must be gathered to ensure decisions are made thoroughly. Further detail regarding stakeholder relations is included in the section 172 statement in the strategic report.

#### Auditor

The directors confirm that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware
- the directors have taken all the steps that he/she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information
- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### Auditor

Grant Thornton UK LLP are deemed to be reappointed as auditors of the company under section 487(2) of the Companies Act 2006

#### Future developments

The Company is expected to continue trading as normal. Opportunities are being pursued globally in environments where cesium formate brine is deemed the best suited solution for prospective clients to gain valuable results.

Approved by the board of directors and signed on its behalf by Xiangyang Zeng

5/4/2023



## Independent auditor's report to the members of Sinomine Specialty Fluids Limited

### Opinion

We have audited the financial statements of Sinomine Specialty Fluids Limited (the 'company') for the year ended 31<sup>st</sup> December 2022, which comprise Profit and loss account, Balance sheet, Statement of changes in equity, Statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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, 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as inflation, increase in energy prices and climate change trends, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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 company'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.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial



## **Independent auditor's report to the members of Sinomine Specialty Fluids Limited**

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the 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.

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 for the financial statements**

As explained more fully in the directors' responsibilities statement, 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 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 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.



## Independent auditor's report to the members of Sinomine Specialty Fluids Limited

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We enquired of management, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the UK;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We have assessed the susceptibility of the financial statements to material misstatement, including how fraud may occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risk was in relation to recognition of revenue.
- Our audit procedures involved:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - identifying and testing all unusual journal entries with a focus on large, manual journals with keywords included; and
  - tested a sample of manual postings to revenue in reference to the revenue recognition policy to confirm revenue recognition was appropriate.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Chadwick  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
5/4/2023



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## Sinomine Specialty Fluids Limited

### Profit and loss account for the year ended 31 December 2022

|  | Note | Year Ended 31<br>December 2022<br>\$'000 | Year Ended 31<br>December 2021<br>\$'000 |
|--|------|--|--|
| <b>Turnover</b>                        | 1    | <b>61,614</b>                            | 66,480                                   |
| Cost of goods sold                     |      | <b>(26,677)</b>                          | (23,730)                                 |
| <b>Gross profit</b>                    |      | <b>34,937</b>                            | 42,750                                   |
| Distribution costs                     |      | <b>(3,020)</b>                           | (1,581)                                  |
| Net operating expenses                 | 2    | <b>(3,078)</b>                           | (3,423)                                  |
| Other operating income/(expense)       | 3    | -  | 6  |
| Exceptional items                      |      | <b>10</b>                                | (26)                                     |
| <b>Operating profit</b>                | 4    | <b>28,849</b>                            | 37,726                                   |
| <b>Profit before taxation</b>          |      | <b>28,849</b>                            | 37,726                                   |
| Taxation                               | 6    | <b>(6,354)</b>                           | (10,715)                                 |
| <b>Profit for the financial period</b> |      | <b>22,495</b>                            | 27,011                                   |

All items included in the profit and loss account relate to continuing operations.

The company has no other items of comprehensive income other than the profit for the current year and preceding periods and therefore no separate statement of comprehensive income has been presented.



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Commercial in confidence

## Sinomine Specialty Fluids Limited

### Balance sheet At 31 December 2022

|   | Note | 2022<br>\$'000  | 2021<br>\$'000 |
|---|------|-----------------|----------------|
| <b>Fixed assets</b>                                   |      |                 |                |
| Tangible assets                                       | 7    | 110,732         | 114,240        |
|   |      | <b>110,732</b>  | 114,240        |
| <b>Current assets</b>                                 |      |                 |                |
| Stocks  | 8    | 4,490           | 4,437          |
| Debtors   | 9    | 15,687          | 15,993         |
| Cash at bank and in hand                              |      | 3,915           | 5,573          |
|   |      | <b>24,092</b>   | 26,003         |
| <b>Creditors: amounts falling due within one year</b> | 10   | <b>(12,871)</b> | (22,327)       |
| <b>Net current assets</b>                             |      | <b>11,221</b>   | 3,676          |
| <b>Total assets less current liabilities</b>          |      | <b>121,953</b>  | 117,916        |
| <b>Provisions for liabilities</b>                     | 11   | <b>(12,995)</b> | (11,453)       |
| <b>Net assets</b>                                     |      | <b>108,958</b>  | 106,463        |
| <b>Capital and reserves</b>                           |      |                 |                |
| Called up share capital                               | 12   | -               | -              |
| Profit and loss reserve                               | 13   | 108,958         | 106,463        |
| <b>Total shareholder's funds</b>                      |      | <b>108,958</b>  | 106,463        |

Approved by the board of directors and signed on its behalf by Xiangyang Zeng.

5/4/2023



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## Sinomine Specialty Fluids Limited

### Statement of changes in equity At 31 December 2022

|   | Called-up<br>share<br>capital<br>\$'000 | Profit and<br>loss<br>account<br>\$'000 | Total<br>\$'000 |
|---|---|---|-----------------|
| <b>At 31 December 2020</b>              | -                                       | 129,452                                 | <b>129,452</b>  |
| Profit for the year to 31 December 2021 | -                                       | 27,011                                  | <b>27,011</b>   |
| Dividend                                | -                                       | (50,000)                                | <b>(50,000)</b> |
| <b>At 31 December 2021</b>              | -                                       | 106,463                                 | <b>106,463</b>  |
| Profit for the year to 31 December 2022 | -                                       | 22,495                                  | <b>22,383</b>   |
| Interim Dividend                        | -                                       | (20,000)                                | <b>(20,000)</b> |
| <b>At 31 December 2022</b>              | -                                       | 108,958                                 | <b>108,846</b>  |



## Sinomine Specialty Fluids Limited

### Statement of cash flow At 31 December 2022

|   | Note | 2022<br>\$'000  | 2021<br>\$'000  |
|---|------|-----------------|-----------------|
| <b>Cash Flow from Operations:</b>   |      |                 |                 |
| Net cash flow from operations   | 14   | 46,493          | 54,948          |
| Taxation  |      | (9,017)         | (2,571)         |
| Withholding tax   |      | (385)           | -               |
| Interest on tax   |      | (6)             | -               |
| <b>Net Cash Flow from Operations</b>  |      | <b>37,085</b>   | <b>52,377</b>   |
| <b>Cash Flow from Investment Activities:</b>                                |      |                 |                 |
| Purchase of fixed assets  | 7    | (14,988)        | (2,875)         |
| Proceeds from disposal of fixed assets                                      |      | 5               | -               |
| <b>Net Cash Flow from Investment Activities</b>                             |      | <b>(14,983)</b> | <b>(2,875)</b>  |
| <b>Cash Flow from Financing Activities:</b>                                 |      |                 |                 |
| Dividend payments   |      | (23,760)        | (44,560)        |
| <b>Net Cash Flow from Financing Activities</b>                              |      | <b>(23,760)</b> | <b>(44,560)</b> |
| <b>Net Change in Cash and Equivalents</b>                                   |      | <b>(1,658)</b>  | <b>4,942</b>    |
| <b>Bank Deposits, Cash and Equivalents at beginning of financial period</b> |      | <b>5,573</b>    | <b>631</b>      |
| <b>Cash and Equivalents at end of the financial period</b>                  |      | <b>3,915</b>    | <b>5,573</b>    |

In 2022 dividend of \$20,000k to the shareholder Sinomine Hong Kong Rare Metals Co., Limited is recorded. At 31 December 2022 \$3,226k remains in the intercompany creditors balance.

In 2021 dividend of \$50,000k to Sinomine Hong Kong Rare Metals Co., Limited was recorded. At 31 December 2021 there was \$6,986k recorded to the intercompany creditors balance, this was settled during 2022.

There is no debt in the company therefore reconciliation of net debt/funds is not presented.



## Sinomine Specialty Fluids Limited

### Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the prior year.

#### Basis of preparation

Sinomine Specialty Fluids Limited ("the company") is a company limited by shares incorporated in Scotland, United Kingdom under the Companies Act. The financial statements, which are separate financial statements, have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

FRS 102 allows disclosure exemption of related party transactions with wholly owned entities within a group. This exemption is applied to this filing thus related party transactions with wholly owned entities of the Sinomine group are not disclosed.

The company presents its financial statements in US Dollars as this represents the currency of the primary economic environment in which it operates and generates net cash flows.

#### Going concern

In carrying out their duties in respect of going concern, the directors have carried out a review of the company's financial position and cash flow forecast for a period of 15 months from the date of signing these financial statements. Following this review, including consideration of the uncertainties brought about by the current economic environment and taking into account the strength of the company's net asset position, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they have adopted the going concern basis of accounting in preparing the annual financial statements.

#### Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover represents the rental, mobilisation and sale of specialty chemicals, primarily cesium and potassium formate. Revenue from formate rental is recognised throughout the rental period based on the contracted rental amount. Customers are billed and revenue is recognised at the end of the job for leased formate product that is not subsequently returned once the value can be accurately determined. Mobilisation revenue for fluid is recorded when the fluid has been transferred to the client site as the risk is with the client once the fluid is in their control. Fluid is tested and reconciled when it is returned and any fluid volume or density lost during a customer rental/mobilisation job is charged and recognised when it can be reliably measured. The company also makes direct sales of formate and these are invoiced on delivery.

#### Tangible fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost of the plant and machinery on a straight-line basis over its expected useful life.

Assets held for rent represent formate product that will be rented to customers in the normal course of business. Assets held for rent and assets under construction are stated at cost and are not depreciated.

#### Investments

Investments are stated at cost less any provision for impairment in value.

#### Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.



## Sinomine Specialty Fluids Limited

### Accounting policies

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost, where appropriate, includes all direct expenditure and overhead expenditure incurred in bringing products to their current state under normal operating conditions. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from its existing state to a finished condition. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period the company is expected to benefit.

#### Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of note more than 24 hours. Cash equivalents are liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts for cash with insignificant risk to change in value.

#### Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

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 company after deducting all of its liabilities.

##### *(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) substantially all of the risks and rewards of ownership of the financial asset is transferred to another party, or c) the company retains some, but not all, significant risks and rewards of ownership, and has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

#### Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.



## Sinomine Specialty Fluids Limited

### Accounting policies

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised

#### Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay or recover more tax in the future have occurred at the balance sheet date. Timing differences are the differences between the company's taxable profits and its results as stated in the financial statements.

Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis and deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

#### Foreign currencies

Monetary assets and liabilities denominated in currencies other than US Dollars (the functional currency of the company) are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than US Dollars are translated into US Dollars at the contracted rates of exchange ruling at the date of the transaction. Exchange differences arising are taken into account in arriving at the operating result.

#### Pension scheme arrangements

The company is part of a Personal Pension Plan which is a defined contribution scheme, the assets of which are held separately from those of the company in independently managed funds. The costs of contributions are charged to the profit and loss account as they are incurred. Differences between contributions payable in the financial period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in the accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the Company's accounting policies

The following is the critical judgment, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.



## **Sinomine Specialty Fluids Limited**

### **Accounting policies**

#### **Assets held for rent depreciation**

Assets Held for Rent (comprising cesium and potassium formate drilling fluids) are not depreciated as they are considered to have an infinite useful life. The Company rents the fluids to customers, at the end of the rental agreement the returned fluids are processed and cleaned to restore their original chemical composition. The cleaning process restores the fluids to their original condition. The costs associated with processing and cleaning the fluid to restore the original quality condition are charged to the profit and loss account.

#### **Mobilisation revenue**

Where a customer contract has remuneration for mobilisation of fluid (instead of daily rental) the mobilisation revenue is recognised based on delivery specifications in the client contract. Revenue is recorded when the fluid has been transferred to the client site as the risk is with the client once the fluid is in the clients control. When the fluid is at the client site it is the client who has right of use of the fluid (asset), it is within their control and they bear the risk of any losses. Fluid volume or density that is lost when in possession of the client is charged back upon return – sampling and reconciliation is carried to ensure losses are reliably measured.

#### ***Key source of estimation uncertainty***

The directors have assessed that there are no such estimates with significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

#### 1. Turnover

An analysis of the company's turnover by geographical market is set out below:

|                | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------|----------------|----------------|
| United Kingdom | 6,578          | 1,999          |
| Europe         | 31,918         | 63,119         |
| Asia           | 23,110         | 48             |
| North America  | 8              | 1,314          |
|                | <b>61,614</b>  | <b>66,480</b>  |

An analysis of the company's turnover by class of business is set out below:

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Oil and Gas – Rental and Mobilisation | 31,667         | 28,374         |
| Oil and Gas – Sales and Losses        | 29,696         | 34,982         |
| Fine Cesium Chemicals                 | 251            | 3,214          |
|                                       | <b>61,614</b>  | <b>66,480</b>  |

#### 2. Net operating expenses

|                         | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------|----------------|----------------|
| Administration expenses | 3,018          | 3,237          |
| Other operating expense | 60             | 186            |
|                         | <b>3,078</b>   | <b>3,423</b>   |

#### 3. Other Operating Income

The other operating income in 2021 \$6k is a research prize awarded from UNIDO at the Global Chemical Leasing Awards – gold in the research category. There is no other operating income recorded in 2022.



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

#### 4. Operating profit

Operating profit is stated after charging:

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| Depreciation   | 518            | 514            |
| Cost of assets held for rent recognised as an expense  | 15,957         | 13,472         |
| Loss on disposal of tangible assets  | 19             | -              |
| Operating lease rentals  |                |                |
| Land and buildings   | 1,184          | 1,078          |
| Other  | 43             | 31             |
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 62             | 52             |
| Other assurance related services   | 36             | 6              |
| Foreign exchange (gain)/loss   | (14)           | 173            |

#### 5. Directors and employees

Average number of employees (including directors):

|                | 2022<br>Number | 2021<br>Number |
|----------------|----------------|----------------|
| Operations     | 36             | 26             |
| Administration | 15             | 14             |
|                | 51             | 40             |

Staff costs, excluding the director's remuneration were:

|                       | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------|----------------|----------------|
| Wages and salaries    | 4,985          | 3,911          |
| Social security costs | 637            | 405            |
| Other pension costs   | 270            | 232            |
|                       | 5,892          | 4,548          |

Contributions paid to defined contribution pension schemes during 2022 \$270k (2021: \$241k). At the balance sheet date, there was \$3k outstanding contributions to this scheme (2021: \$nil payable).



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

Directors' remuneration:

|   | 2022       | 2021       |
|---|------------|------------|
|   | \$'000     | \$'000     |
| Emoluments                                      | 227        | 273        |
| Company contributions to money purchase schemes | 9          | 9          |
|   | <b>236</b> | <b>282</b> |

The number of directors who:

|  | 2022   | 2021   |
|--|--------|--------|
|  | Number | Number |
| Are members of a money purchase pension scheme | 1      | 1      |

Remuneration of the highest paid director:

|   | 2022   | 2021   |
|---|--------|--------|
|   | \$'000 | \$'000 |
| Emoluments                                      | 219    | 250    |
| Company contributions to money purchase schemes | 9      | 9      |

## 6. Taxation

|   | 2022         | 2021         |
|---|--------------|--------------|
|   | \$'000       | \$'000       |
| <b>UK corporation tax</b>                               |              |              |
| Current tax on income for the financial period          | 4,533        | 6,232        |
| Adjustments in respect of prior periods                 | (142)        | 179          |
| <b>UK corporation tax before double taxation relief</b> | <b>4,391</b> | <b>6,411</b> |
| Double taxation relief                                  | (1,416)      | (2,700)      |
| <b>UK corporation tax after double taxation relief</b>  | <b>2,975</b> | <b>3,711</b> |
| <b>Foreign tax</b>                                      |              |              |
| Current tax on income for the financial period          | 2,045        | 3,385        |
| Adjustments in respect of prior periods                 | -            | 704          |
| <b>Total foreign tax</b>                                | <b>2,045</b> | <b>4,089</b> |
| <b>Current tax charge</b>                               | <b>5,020</b> | <b>7,800</b> |



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

|   | 2022         | 2021          |
|---|--------------|---------------|
|   | \$'000       | \$'000        |
| <b>UK corporation tax</b>                                     |              |               |
| Deferred taxation   |              |               |
| Origination and reversal of timing differences                | 955          | 610           |
| Adjustments in respect of previous periods                    | 77           | -             |
| Adjustments in respect of changes in rate of tax              | 302          | 2,305         |
| <b>Deferred tax charge for the financial period (note 11)</b> | <b>1,334</b> | <b>2,915</b>  |
| <b>Tax charge</b>   | <b>6,354</b> | <b>10,715</b> |

The charge for the financial period is different than the standard rate of corporation tax. The differences are explained below.

|   | 2022         | 2021          |
|---|--------------|---------------|
|   | \$'000       | \$'000        |
| Profit on ordinary activities before tax  | 28,849       | 37,726        |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% | 5,481        | 7,168         |
| Effect of:  |              |               |
| Adjustments in respect of prior periods   | 147          | 184           |
| Expenses not deductible / (income not taxable) for tax purposes                       | 87           | 23            |
| Overseas tax  | 629          | 1,364         |
| Timing differences  | (6)          | (422)         |
| Payment for group relief  | -            | -             |
| Exchange rate difference between opening and closing spot rates                       | (286)        | (53)          |
| Effect of changes in tax rates  | 302          | 2,451         |
| <b>Tax charge for the financial period</b>  | <b>6,354</b> | <b>10,715</b> |

Under FRS102, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date. On 24 May 2021 a rate of 25% (effective from 1 April 2023) was substantively enacted. Deferred tax is calculated using the 25% rate for the 31 December 2021 and 31 December 2022 balance sheet dates (19% rate was used for 31 December 2020 balance sheet).



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

#### 7. Tangible assets

|  | Assets held<br>for rent * | Plant and<br>machinery | Assets under<br>construction | Total          |
|--|---------------------------|------------------------|------------------------------|----------------|
|  | \$'000                    | \$'000                 | \$'000                       | \$'000         |
| <b>Cost</b>                              |                           |                        |                              |                |
| At 1 January 2022                        | 112,256                   | 7,445                  | 109                          | 119,810        |
| Additions                                | 12,820                    | -                      | 145                          | 12,965         |
| Transfer from Inventory                  | 2,023                     | -                      | -                            | 2,023          |
| Disposals                                | (1,757)                   | (489)                  | -                            | (2,246)        |
| Transfer to Inventory                    | (16,206)                  | -                      | -                            | (16,206)       |
| Transfers from assets under construction | -                         | 202                    | (202)                        | -              |
| <b>At 31 December 2022</b>               | <b>109,136</b>            | <b>7,158</b>           | <b>52</b>                    | <b>116,346</b> |
| <b>Accumulated depreciation</b>          |                           |                        |                              |                |
| At 1 January 2022                        | -                         | (5,570)                | -                            | (5,570)        |
| Charge for the financial period          | -                         | (518)                  | -                            | (518)          |
| Disposals                                | -                         | 474                    | -                            | 474            |
| <b>At 31 December 2022</b>               | <b>-</b>                  | <b>(5,614)</b>         | <b>-</b>                     | <b>(5,614)</b> |
| <b>Net book amount</b>                   |                           |                        |                              |                |
| At 1 January 2021                        | 112,256                   | 1,875                  | 109                          | 114,240        |
| <b>At 31 December 2022</b>               | <b>109,136</b>            | <b>1,544</b>           | <b>52</b>                    | <b>110,732</b> |

\*Assets held for rent represents formate product that is rented to customers. This is not depreciated since the fluid can be rented out multiple times once returned fluid has been processed to remove any impurities. Losses of fluid quantity or quality during a job are billed to the customer and the related cost disclosed as transfer to inventory.

#### 8. Stock

|                                     | 2022   | 2021   |
|-------------------------------------|--------|--------|
|                                     | \$'000 | \$'000 |
| Finished goods and goods for resale | 4,490  | 4,437  |

There is no material difference between the balance sheet value of stocks and their replacement cost. The stocks balance includes pollucite ore which is the raw material used to produce cesium formate.

#### 9. Debtors

|   | 2022          | 2021          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>Amounts falling due within one year:</b> |               |               |
| Trade debtors                               | 11,165        | 2,241         |
| Amounts owed by group companies             | -             | 5,596         |
| Prepayments and accrued income              | 4,450         | 8,156         |
| Other Debtors                               | 72            | -             |
|   | <b>15,687</b> | <b>15,993</b> |



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

#### 10. Creditors: amounts falling due within one year

|  | 2022          | 2021          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Trade creditors                          | 1,278         | 1,088         |
| Amounts owed to group companies          |               |               |
| - due to fellow subsidiaries             | 5,779         | 10,826        |
| Other taxation and social security       | -             | 334           |
| Group relief and corporation tax payable | 3,725         | 8,339         |
| Accruals and deferred income             | 2,089         | 1,740         |
|  | <b>12,871</b> | <b>22,327</b> |

The amounts owed to group companies do not carry interest are unsecured and are repayable on demand.

#### 11. Provision for liabilities

Movements on the provision for deferred taxation are as follows:

|  | 2022          | 2021          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Opening balance for the period             | 10,213        | 7,299         |
| Charge to profit and loss account (note 6) | 1,334         | 2,914         |
| <b>At 31 December</b>                      | <b>11,547</b> | <b>10,213</b> |

Analysis of provision and potential liability:

|                                | 2022          | 2021          |
|--------------------------------|---------------|---------------|
|                                | \$'000        | \$'000        |
| Accelerated capital allowances | 16,509        | 15,174        |
| Short term timing differences  | (1)           | -             |
| Unrelieved overseas tax        | (4,961)       | (4,961)       |
| <b>Total deferred taxation</b> | <b>11,547</b> | <b>10,213</b> |

Other provisions

|  | 2022          | 2021          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Asset Retirement Obligation            | 1,448         | 1,240         |
| <b>Total Provision for Liabilities</b> | <b>12,995</b> | <b>11,453</b> |

Asset Retirement Obligation is the estimated cost to decommission and leave leased sites at the end of lease term.



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

#### 12. Called up share capital

|   | 2022 | 2021 |
|---|------|------|
|   | \$   | \$   |
| <b>Allotted, called up and fully paid</b> |      |      |
| 1 ordinary share of £1.00 each            | 2    | 2    |

The company has one class of ordinary shares which carry no right to fixed income.

#### 13. Profit and Loss Reserve

The profit and loss reserve includes all current and prior periods profits and losses.

#### 14. Cash From Operations

|   | 2022          | 2021          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| Profit for the financial period                       | 22,495        | 27,011        |
| Taxes for the period                                  | 6,354         | 10,715        |
| Net interest expense/income                           | 6             | 2             |
| <b>Operating Profit</b>                               | <b>28,855</b> | <b>37,728</b> |
| Depreciation and amortisation                         | 520           | 513           |
| Movement in asset retirement obligation provision     | 208           | 200           |
| Movement in provision assets held for rent            | (114)         | (158)         |
|   | <b>29,469</b> | <b>38,283</b> |
| Working capital movements:                            |               |               |
| Change in inventory                                   | (52)          | 994           |
| Cost of assets held for rent transferred to inventory | 18,091        | 14,605        |
| Change in receivables                                 | 307           | (1,830)       |
| Change in payables                                    | (1,322)       | 2,896         |
| <b>Net cash flow from operations</b>                  | <b>46,493</b> | <b>54,948</b> |

Working capital category 'cost of assets held for rent transferred to inventory' includes movement in assets held for rent relating to sales (the asset value is transferred to inventory and sold) and relating to losses when processing/reclaiming the asset (fluid). The cash to purchase the asset(s) was suffered in prior periods.



## Sinomine Specialty Fluids Limited

### Notes to the financial statements For the year ended 31 December 2022

#### 15. Operating lease rental commitments

At 31 December 2022, the company had total commitments under non-cancellable operating leases as follows:

|                            | 2022<br>Land &<br>buildings<br>\$'000 | 2022<br>Other<br>\$'000 | 2021<br>Land &<br>buildings<br>\$'000 | 2021<br>Other<br>\$'000 |
|----------------------------|---------------------------------------|-------------------------|---------------------------------------|-------------------------|
| Within one year            | 570                                   | 44                      | 1,048                                 | 30                      |
| Between two and five years | 279                                   | 111                     | 714                                   | 35                      |
|                            | <b>849</b>                            | <b>155</b>              | <b>1,762</b>                          | <b>65</b>               |

#### 16. Ultimate and immediate holding company

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Sinomine Resources Group Co Ltd incorporated and registered in the People's Republic of China. Sinomine Resources Group Co Ltd registered address is Floor 5, Building A, Wanliuyicheng Plaza 11, Changchungua Road, Haidian District, Beijing, China - copies of the Sinomine Resources Group Co Ltd consolidated financial statements can be obtained from this address. The ultimate controlling party is Sinomine Resources Group Co Ltd.

Sinomine (Hong Kong) Rare Metals Resources Co., Limited is the company's immediate parent.