

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-34499

**GULF RESOURCES, INC.**  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

13-3637458  
(I.R.S. Employer Identification No.)

Level 11, Vegetable Building , Industrial Park of the East City ,  
Shouguang City , Shandong, China  
(Address of principal executive offices)

262700  
(Zip Code)

Registrant's telephone number, including area code: + 86 (536) 567-0008

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol (s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0005 par value	GURE	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐  
Non-accelerated filer ☒

Accelerated filer ☐  
Smaller reporting company ☒  
Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of November 20, 2023, the registrant had outstanding 10,431,924 shares of common stock.

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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements**

GULF RESOURCES, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Expressed in U.S. dollars)

	September 30, 2023 Unaudited	December 31, 2022 Audited
<b>Current Assets</b>		
Cash	\$ 103,774,977	\$ 108,226,214
Accounts receivable	2,150,118	5,363,166
Inventories, net	874,820	1,598,572
Prepayments and deposits	8,135,608	4,236,782
Other receivable	2,571	637
<b>Total Current Assets</b>	<b>114,938,094</b>	<b>119,425,371</b>
<b>Non-Current Assets</b>		
Property, plant and equipment, net	140,872,750	149,916,766
Finance lease right-of use assets	155,269	163,868
Operating lease right-of-use assets	7,668,554	8,098,427
Prepaid land leases, net of current portion	9,254,124	9,508,001
Deferred tax assets	6,004,086	5,318,909
<b>Total non-current assets</b>	<b>163,954,783</b>	<b>173,005,971</b>
<b>Total Assets</b>	<b>\$ 278,892,877</b>	<b>\$ 292,431,342</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Payable and accrued expenses	\$ 6,151,025	\$ 7,823,722
Taxes payable-current	521,826	699,563
Amount due to a related party	2,572,720	2,605,694
Finance lease liability, current portion	188,750	213,346
Operating lease liabilities, current portion	436,382	433,440
<b>Total Current Liabilities</b>	<b>9,870,703</b>	<b>11,775,765</b>
<b>Non-Current Liabilities</b>		
Finance lease liability, net of current portion	1,254,618	1,461,721
Operating lease liabilities, net of current portion	7,044,224	7,575,651
<b>Total Non-Current Liabilities</b>	<b>8,298,842</b>	<b>9,037,372</b>
<b>Total Liabilities</b>	<b>\$ 18,169,545</b>	<b>\$ 20,813,137</b>
<b>Commitment and Loss Contingencies</b>		
<b>Stockholders' Equity</b>		
PREFERRED STOCK; \$ 0.001 par value; 1,000,000 shares authorized; none outstanding	\$ —	\$ —
COMMON STOCK; \$ 0.0005 par value; 80,000,000 shares authorized; 10,717,754 shares issued; and 10,431,924 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	24,376	24,476
Treasury stock; 285,830 shares as of September 30, 2023 and December 31, 2022 at cost	( 1,372,673)	( 1,372,673)
Additional paid-in capital	101,237,059	101,237,059
Retained earnings unappropriated	155,074,175	158,089,535
Retained earnings appropriated	26,667,097	26,667,097
Accumulated other comprehensive loss	( 20,906,802)	( 13,027,289)
<b>Total Stockholders' Equity</b>	<b>260,723,332</b>	<b>271,618,205</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 278,892,877</b>	<b>\$ 292,431,342</b>

See accompanying notes to the condensed consolidated financial statements.

GULF RESOURCES, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(Expressed in U.S. dollars)  
(UNAUDITED)

	Three-Month Period Ended September 30, 2023	2022	Nine -Month Period Ended September 30, 2023	2022
<b>NET REVENUE</b>				
Net revenue	\$ 5,865,615	\$ 22,862,795	\$ 23,173,404	\$ 47,505,246
<b>OPERATING INCOME (EXPENSE)</b>				
Cost of net revenue	( 6,373,902)	( 8,405,694)	( 20,464,418)	( 21,056,782)
Sales, marketing and other operating expenses	( 14,428)	( 19,681)	( 42,850)	( 47,086)
Direct labor and factory overheads incurred during plant shutdown	(1,007,689)	(1,910,318)	(4,471,954)	(6,022,206)
General and administrative expenses	( 762,884)	( 584,473)	( 2,266,260)	( 3,384,063)
Other operating income (loss)	—	( 37)	60,134	( 8,441)

	( 8,158,903)	( 10,920,203)	( 27,185,348)	( 30,518,578)
INCOME(LOSS) FROM OPERATIONS	( 2,293,288)	11,942,592	( 4,011,944)	16,986,668
OTHER INCOME (EXPENSE)				
Interest expense	( 23,791)	( 27,715)	( 81,322)	( 94,703)
Interest income	57,758	63,470	201,127	213,546
Other (income) expenses	—	—	—	—
INCOME(LOSS) BEFORE TAXES	( 2,259,321)	11,978,347	( 3,892,139)	17,105,511
INCOME TAX EXPENSE	483,524	( 3,010,967)	876,779	( 4,356,283)
NET INCOME(LOSS)	<u>\$ ( 1,775,797)</u>	<u>\$ 8,967,380</u>	<u>\$ ( 3,015,360)</u>	<u>\$ 12,749,228</u>
COMPREHENSIVE LOSS:				
NET INCOME(LOSS)	\$ ( 1,775,797)	\$ 8,967,380	\$ ( 3,015,360)	\$ 12,749,228
OTHER COMPREHENSIVE LOSS				
- Foreign currency translation adjustments	2,247,978	( 15,930,276)	( 7,879,513)	( 30,774,686)
COMPREHENSIVE INCOME(LOSS)	<u>\$ 472,181</u>	<u>\$ ( 6,962,896)</u>	<u>\$ ( 10,894,873)</u>	<u>\$ ( 18,025,458)</u>
INCOME(LOSS) PER SHARE:				
BASIC AND DILUTED	\$ ( 0.17)	\$ 0.86	\$ ( 0.29)	\$ 1.22
WEIGHTED AVERAGE NUMBER OF SHARES:				
BASIC AND DILUTED	10,431,924	10,471,924	10,431,924	10,471,924

See accompanying notes to the condensed consolidated financial statements.

GULF RESOURCES, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023  
(Expressed in U.S. dollars)

	Common stock										
	Number of shares issued	Number of shares outstanding	Number of treasury stock	Amount	Treasury stock	Additional paid-in capital	Retained earnings unappropriated	Retained earnings appropriated	Accumulated other comprehensive Income(loss)	Total	
BALANCE AT JUNE 30, 2023 (Unaudited)	10,717,754	10,431,924	285,830	24,476	( 1,372,673)	101,237,059	\$ 156,849,972	\$ 26,667,097	\$ ( 23,154,780)	\$ 260,251,151	
Restricted shares	—	—	—	—	—	—	—	—	—	—	
Translation adjustment	—	—	—	—	—	—	—	—	2,247,978	2,247,978	
Net income for three-month period ended September 30, 2023	—	—	—	—	—	—	( 1,775,797)	—	—	( 1,775,797)	
BALANCE AT SEPTEMBER 30, 2023 (Unaudited)	<u>10,717,754</u>	<u>10,431,924</u>	<u>285,830</u>	<u>24,476</u>	<u>( 1,372,673)</u>	<u>101,237,059</u>	<u>\$ 155,074,175</u>	<u>\$ 26,667,097</u>	<u>\$ ( 20,906,802)</u>	<u>\$ 260,723,332</u>	
	Common stock										
	Number of shares issued	Number of shares outstanding	Number of treasury stock	Amount	Treasury stock	Additional paid-in capital	Retained earnings unappropriated	Retained earnings appropriated	Accumulated other comprehensive Income(loss)	Total	
BALANCE AT JUNE 30, 2022 (Unaudited)	10,517,754	10,471,924	45,830	\$ 24,376	\$ ( 510,329)	\$ 100,569,159	\$ 154,245,486	\$ 24,233,544	\$ ( 2,985,581)	\$ 275,576,655	
Restricted shares	—	—	—	—	—	—	—	—	—	—	
Translation adjustment	—	—	—	—	—	—	—	—	( 15,930,276)	( 15,930,276)	
Net income for three-month period ended September 30, 2022	—	—	—	—	—	—	8,967,380	—	—	8,967,380	
BALANCE AT SEPTEMBER 30, 2022 (Unaudited)	<u>10,517,754</u>	<u>10,471,924</u>	<u>45,830</u>	<u>\$ 24,376</u>	<u>\$ ( 510,329)</u>	<u>\$ 100,569,159</u>	<u>\$ 163,212,866</u>	<u>\$ 24,233,544</u>	<u>\$ ( 18,915,857)</u>	<u>\$ 268,613,759</u>	
	Common stock										
	Number of shares issued	Number of shares outstanding	Number of treasury stock	Amount	Treasury stock	Additional paid-in capital	Retained earnings unappropriated	Retained earnings appropriated	Accumulated other comprehensive Income(loss)	Total	
BALANCE AT DECEMBER 31, 2022 (Audited)	10,717,754	10,431,924	285,830	24,476	( 1,372,673)	101,237,059	\$ 158,089,535	\$ 26,667,097	\$ ( 13,027,289)	\$ 271,618,205	
Restricted shares	—	—	—	—	—	—	—	—	—	—	
Translation adjustment	—	—	—	—	—	—	—	—	( 7,879,513)	( 7,879,513)	
Net income for nine-month period ended September 30, 2023	—	—	—	—	—	—	( 3,015,360)	—	—	( 3,015,360)	
BALANCE AT SEPTEMBER 30, 2023 (Unaudited)	<u>10,717,754</u>	<u>10,431,924</u>	<u>285,830</u>	<u>24,476</u>	<u>( 1,372,673)</u>	<u>101,237,059</u>	<u>\$ 155,074,175</u>	<u>\$ 26,667,097</u>	<u>\$ ( 20,906,802)</u>	<u>\$ 260,723,332</u>	

	Common stock				Treasury stock	Additional paid-in capital	Retained earnings unappropriated	Retained earnings appropriated	Accumulated other comprehensive income(loss)	Total
	Number of shares issued	Number of shares outstanding	Number of treasury stock	Amount						
BALANCE AT DECEMBER 31, 2021 (Audited)	10,517,754	10,471,924	45,830	\$ 24,376	\$ (510,329)	\$ 100,569,159	\$ 150,463,638	\$ 24,233,544	\$ 11,858,829	\$ 286,639,217
Restricted shares	—	—	—	—	—	—	—	—	—	—
Translation adjustment	—	—	—	—	—	—	—	—	(30,774,686)	(30,774,686)
Net income for nine-month period ended September 30, 2022	—	—	—	—	—	—	12,749,228	—	—	12,749,228
BALANCE AT SEPTEMBER 30, 2022 (Unaudited)	10,517,754	10,471,924	45,830	\$ 24,376	\$ (510,329)	\$ 100,569,159	\$ 163,212,866	\$ 24,233,544	\$ (18,915,857)	\$ 268,613,759

See accompanying notes to the condensed consolidated financial statements.

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GULF RESOURCES, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in U.S. dollars)  
(UNAUDITED)

	Nine-Month Period Ended September 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income(loss)	\$ (3,015,360)	\$ 12,749,228
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization on capital lease	80,252	93,630
Depreciation and amortization	15,385,624	16,259,285
Unrealized exchange gain on translation of inter-company balances	165,444	45,195
Deferred tax asset	(1,002,511)	3,809,038
Common stock issued for services	—	—
Issuance of stock options to employee	—	—
Changes in assets and liabilities:		
Accounts receivable	3,132,796	3,451,924
Inventories	718,994	27,073
Prepayments and deposits	(3,947,311)	324,685
Other receivables	—	—
Accounts and Other payable and accrued expenses	(1,503,845)	1,553,583
Retention payable	—	—
Taxes payable	(229,600)	(365,255)
Prepaid land leases	—	—
Operating lease	85,129	(847,362)
<b>Net cash provided by (used in) by operating activities</b>	<b>9,869,612</b>	<b>37,101,024</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(15,197,648)	(33,217,987)
<b>Net cash used in investing activities</b>	<b>(15,197,648)</b>	<b>(33,217,987)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Repayment of finance lease obligation	(267,810)	(283,915)
<b>Net cash used in financing activities</b>	<b>(267,810)</b>	<b>(283,915)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>1,144,609</b>	<b>(6,728,107)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,451,237)</b>	<b>(3,128,985)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>108,226,214</b>	<b>95,767,263</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 103,774,977</b>	<b>\$ 92,638,278</b>
	Periods Ended September 30,	
	2023	2022
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the period for:		
Paid for taxes	\$ 4,930,601	\$ 6,034,948
Interest on finance lease obligation	\$ 80,252	\$ 93,630
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		

See accompanying notes to the condensed consolidated financial statements.

GULF RESOURCES, INC.  
AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(Expressed in U.S. dollars)  
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements have been prepared by Gulf Resources, Inc. ("Gulf Resources"), a Nevada corporation and its subsidiaries (collectively, the "Company").

The consolidated financial statements include the accounts of Gulf Resources, Inc. and its wholly-owned subsidiary, Upper Class Group Limited, a company incorporated in the British Virgin Islands, which owns 100% of Hong Kong Jiaxing Industrial Limited, a company incorporated in Hong Kong ("HKJI"). HKJI owns 100% of Shouguang City Haoyuan Chemical Company Limited ("SCHC") which owns 100% of Shouguang Yuxin Chemical Industry Co., Limited ("SYCI"), Daying County Haoyuan Chemical Company Limited ("DCHC") and Shouguang Hengde Salt Industry Co. Ltd. ("SHSI"). All material intercompany transactions have been eliminated on consolidation.

(b) Nature of Business

The Company manufactures and trades bromine through its wholly-owned subsidiary, Shouguang City Haoyuan Chemical Company Limited ("SCHC"); manufactures and trades crude salt through its wholly-owned subsidiary, SHSI; and manufactures chemical products for use in the oil industry, pesticides, paper manufacturing industry and for human and animal antibiotics through its wholly-owned subsidiary, Shouguang Yuxin Chemical Industry Co., Limited ("SYCI") in the People's Republic of China ("PRC"). DCHC was established to further explore and develop natural gas and brine resources (including bromine and crude salt) in the PRC. DCHC's business commenced trial operation in January 2019 but suspended production temporarily in May 2019 as required by the government to obtain project approval (see Note 1 (b)(iii)).

On March 11, 2020, the World Health Organization (WHO) officially declared COVID-19 a pandemic. The duration and intensity of the impact of the COVID-19 and resulting disruption to the Company's operations and financial position is uncertain. While not fully quantifiable, the Company believes this situation did not have a material adverse impact on its operating results in the year of 2021. In 2022, COVID may have a slightly larger impact. The government is conducting frequent unannounced inspections, somewhat disrupting production. In addition, the Company believes the focus on COVID may have slightly delayed the approval process for one or more of the closed factories. The virus outbreak and resulting supply chain issues has impacted the overall Chinese economy and thus impacted demand from end customers. It has delayed the delivery of machinery and other equipment for the Yuxin Chemical factory causing a postponement in its completion and opening. The Company believes the virus outbreak has delayed the finalization of the Sichuan Province environmental plan, causing a further delay for the Company's project in Sichuan Province.

(i) Bromine and Crude Salt Segments

In February 2019, the Company received a notification from the local government of Yangkou County that its Factory No. 1, No. 4, No. 7 and No. 9 passed inspection and could resume operations. In April 2019, Factory No.1, and Factory No.7 resumed operation.

On November 25, 2019, the government of Shouguang City issued a notice ordering all bromine facilities in Shouguang City, including the Company's bromine facilities, including Factory No. 1 and Factory No. 7, to temporarily stop production from December 16, 2019 to February 10, 2020. Subsequently, due to the coronavirus outbreak in China, the local government ordered those bromine facilities to postpone the commencement of production. Subsequently, the Company received an approval dated February 27, 2020 issued by the local governmental authority allowing the Company to resume production after the winter temporary closure. Further, the Company received another approval from the Shouguang Yangkou People's Government dated March 5, 2020 allowing the Company to resume production at its bromine factories No. 1, No. 4, No.7 and No. 9 in order to meet the needs of bromide products for epidemic prevention and control (the "March 2020 Approval"). The Company's Factories No. 1 and No. 7 commenced trial production in mid-March 2020 and commercial production on April 3, 2020 and its Factories No. 4 and No. 9 commenced commercial production on May 6, 2020. The Company received an oral notification from the government for its Factory No. 8, which permits the Factory No. 8 to resume production in August 2022. The Company expects that the Factory No. 8 will generate revenue in the fourth quarter 2022.

The Company is still waiting for governmental approval for Factories No. 2 and No. 10. To our knowledge, the government is currently completing its planning process for all mining areas including that for prevention of flood. As a result, we may be required to make some modifications to our current wells and aqueducts prior to commencement of operations of these factories to satisfy the local government's requirements.

Pursuant to the notification from the government of Shouguang City, all bromine facilities in Shouguang City were temporarily closed from December 10, 2022 until February 1, 2023 8:00 AM China Time. To comply with such notification, the Company temporarily stopped production at its bromine facilities during the aforesaid period and reopened the operating bromine and crude salt factories in February 2023.

(ii) Chemical Segment

On November 24, 2017, the Company received a letter from the Government of Yangkou County, Shouguang City notifying the Company to relocate its two chemical production plants located in the second living area of the Qinghe Oil Extraction to the Bohai Marine Fine Chemical Industrial Park ("Bohai Park"). This was because the two plants were located in a residential area and their production activities impacted the living environment of the residents. This was as a result of the country's effort to improve the development of the chemical industry, manage safe production and curb environmental pollution accidents effectively, and ensure the quality of the living environment of residents. All chemical enterprises which did not comply with the requirements of the safety and environmental protection regulations were ordered to shut down.

In December 2017, the Company secured from the government the land use rights for its chemical plants located at the Bohai Park and in June 2018, the Company presented a completed construction design draft and other related documents to the local authorities for approval. In January 2020, the Company received the environmental protection approval by the government of Shouguang City, Shandong Province for the proposed Yuxin Chemical factory. The Company began the construction on its new chemical facilities located at Bohai Marine Fine Chemical Industrial Park in June 2020 and basically completed the civil works by the end of June 2021. On November 15, 2021, the Company announced that due to the supply chain issues as well as the electric restrictions in China, the delivery of some equipment, the equipment installation and testing and beginning trial production at the chemical factory had been delayed. On February 22, 2022, the Company announced that discussions with the government have convinced management that the electricity restrictions were eased. Accordingly, the Company contacted its suppliers and expect to have the remainder of the equipment produced and delivered, so the Company can complete installation and begin testing and trial production.

The COVID restrictions and resulting national and international supply chain issues as well as governmental permit issues have caused delays in receiving some previously ordered machinery and equipment.] The Company is working with its existing suppliers and may identify new suppliers so that it can complete construction of its factory based on accelerated delivery. Currently, the Company is unable to estimate when the construction can be

completed and the production can begin.

On March 23, 2023, the Company issued a press release detailing the delays in the opening of its Yuxin chemical factory due to COVID and stricter government regulations. As noted in the press release, the Company believes that once all of the equipment is delivered, it will take 3 to 4 months to install the equipment. After installation, the testing process is anticipated to take 2 to 3 months, after which the Company will be in a position to apply for environmental and safety approval. After the Company has obtained environmental and safety approval, it will take us 4 months to conduct trial production, and then the Company may start commercial production.

On July 26, 2023, the Company announced that the delivery of the remaining equipment for its Yuxin chemical factory has been temporarily delayed and the Company will review its chemical products strategy.

The Company believes the relocation process will cost approximately \$ 69 million in total. The Company incurred relocation costs comprising prepaid land lease, professional fees related to the design of the new chemical factory, and progress payment and deposit for the construction of the new factory building in the amount of \$45,584,344 and \$45,584,344, which were recorded in the prepaid land leases and property, plant and equipment in the consolidated balance sheets as of September 30, 2023 and December 31, 2022. The Company does not believe the delay in opening the factory will materially impact the overall cost of the project.

### (iii) Natural Gas Segment

In January 2017, the Company completed the first brine water and natural gas well field construction in Daying located in Sichuan Province, China, and commenced trial production in January 2019. On May 29, 2019, the Company received a verbal notice from the government of Tianbao Town, Daying County, Sichuan Province, whereby the Company is required to obtain project approval for its well located in Daying, including the whole natural gas and brine water project, and approvals for safety production inspection, environmental protection assessment, and to solve the related land issue. Until these approvals have been received, the Company has to temporarily halt trial production at its natural gas well in Daying. In compliance with the Chinese government new policies, the Company is also required to obtain an exploration license and a mining license for bromine and natural gas, respectively. Pursuant to the Opinions of the Ministry of Natural Resources on Several Issues in Promoting the Reform of Mineral Resources Management (Trial) promulgated by the Ministry of Natural Resources of PRC on January 9, 2020, which came into effect on May 1, 2020, privately owned enterprises are allowed to participate in the natural gas production. The Company plans to proceed with its applications for the natural gas and brine project approvals with related government departments until the governmental planning has been finalized.

### (c) Allowance for Doubtful Accounts

We make estimates of the uncollectibility of accounts receivable, especially analyzing accounts receivable and historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms, when evaluating the adequacy of the allowance for doubtful accounts. Credit evaluations are undertaken for all major sale transactions before shipment is authorized. On a quarterly basis, we evaluate aged items in the accounts receivable aging report and provide an allowance in an amount we deem adequate for doubtful accounts. If management were to make different judgments or utilize different estimates, material differences in the amount of our reported operating expenses could result.

### (d) Concentration of Credit Risk

The Company is exposed to credit risk in the normal course of business, primarily related to accounts receivable and cash and cash equivalents. Substantially all of the Company's cash and cash equivalents are maintained with financial institutions in the PRC, namely, Industrial and Commercial Bank of China Limited, China Merchants Bank Company Limited and Sichuan Rural Credit Union, which are not insured or otherwise protected. The Company placed \$ 103,774,977 and \$ 108,226,214 with these institutions as of September 30, 2023 and December 31, 2022, respectively. The Company has not experienced any losses in such accounts in the PRC.

GULF RESOURCES, INC.  
AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(Expressed in U.S. dollars)  
(UNAUDITED)

## NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### (e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Expenditures for new facilities or equipment, and major expenditures for betterment of existing facilities or equipment are capitalized and depreciated, when available for intended use, using the straight-line method at rates sufficient to depreciate such costs less 5% residual value over the estimated productive lives. All other ordinary repair and maintenance costs are expensed as incurred.

Mineral rights are recorded at cost less accumulated depreciation and any impairment losses. Mineral rights are amortized ratably over the term of the lease, or the equivalent term under the units of production method, whichever is shorter.

Construction in process primarily represents direct costs of construction of property, plant and equipment. Costs incurred are capitalized and transferred to property, plant and equipment upon completion and depreciation will commence when the completed assets are placed in service.

The Company's depreciation and amortization policies on property, plant and equipment, other than mineral rights and construction in process, are as follows:

	Useful life (in years)
Buildings (including salt pans)	8 - 20
Plant and machinery (including protective shells, transmission channels and ducts)	3 - 8
Motor vehicles	5
Furniture, fixtures and equipment	3 - 8

Property, plant and equipment under the capital lease are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the lease.

Producing oil and gas properties are depreciated on a unit-of-production basis over the proved developed reserves. Common facilities that are built

specifically to service production directly attributed to designate oil and gas properties are depreciated based on the proved developed reserves of the respective oil and gas properties on a pro-rata basis. Common facilities that are not built specifically to service identified oil and gas properties are depreciated using the straight-line method over their estimated useful lives. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

(f) Retirement Benefits

Pursuant to the relevant laws and regulations in the PRC, the Company participates in a defined contribution retirement plan for its employees arranged by a governmental organization. The Company makes contributions to the retirement plan at the applicable rate based on the employees' salaries. The required contributions under the retirement plans are charged to the condensed consolidated statement of loss on an accrual basis when they are due. The Company's contributions totaled \$ 121,941 and \$ 141,996 for the three-month period ended September 30, 2023 and 2022, respectively, and totaled \$ 405,664 and \$ 488,773 for the nine-month period ended September 30, 2023 and 2022, respectively.

(g) Revenue Recognition

Net revenue is net of discount and value added tax and comprises the sale of bromine, crude salt and chemical products. Revenue is recognized when the control of the promised goods is transferred to the customers in an amount that reflects the consideration that the Company expects to receive from the customers in exchange for those goods. The acknowledgement of receipt of goods by the customers is when control of the product is deemed to be transferred. Invoicing occurs upon acknowledgement of receipt of the goods by the customers. Customers have no rights to return the goods upon acknowledgement of receipt of goods. Revenue from contracts with customers is disaggregated in Note 14.

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NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(h) Recoverability of Long-lived Assets

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10-35 "*Impairment or Disposal of Long-lived Assets*", long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable or that the useful lives of those assets are no longer appropriate. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment.

The Company determines the existence of such impairment by measuring the expected future cash flows (undiscounted and without interest charges) and comparing such amount to the carrying amount of the assets. An impairment loss, if one exists, is then measured as the amount by which the carrying amount of the asset exceeds the discounted estimated future cash flows. Assets to be disposed of are reported at the lower of the carrying amount or fair value of such assets less costs to sell. Asset impairment charges are recorded to reduce the carrying amount of the long-lived asset that will be sold or disposed of to their estimated fair values. Charges for the asset impairment reduce the carrying amount of the long-lived assets to their estimated salvage value in connection with the decision to dispose of such assets.

For the three and nine months period ended September 30, 2023 and 2022, the Company determined that there were no events or circumstances indicating possible impairment of its long-lived assets.

(i) Basic and Diluted Earnings per Share of Common Stock

Basic earnings per common share are based on the weighted average number of shares outstanding during the periods presented. Diluted earnings per share are computed using weighted average number of common shares plus dilutive common share equivalents outstanding during the period. Potential common shares that would have the effect of increasing diluted earnings per share are considered to be anti-dilutive, i.e. the exercise prices of the outstanding stock options were greater than the market price of the common stock. Anti-dilutive common stock equivalents which were excluded from the calculation of number of dilutive common stock equivalents amounted to 0 and 0 shares for the three-month periods ended September 30, 2023 and 2022, respectively.

Because the Company reported a net loss for the three-month periods ended September 30, 2023 and 2022, common stock equivalents including stock options and warrants were anti-dilutive, therefore the amounts reported for basic and diluted loss per share were the same.

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NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(j) Reporting Currency and Translation

The financial statements of the Company's foreign subsidiaries are measured using the local currency, Renminbi ("RMB"), as the functional currency; whereas the functional currency and reporting currency of the Company is the United States dollar ("USD" or "\$").

As such, the Company uses the "current rate method" to translate its PRC operations from RMB into USD, as required under FASB ASC 830 "Foreign Currency Matters". The assets and liabilities of its PRC operations are translated into USD using the rate of exchange prevailing at the balance sheet date. The capital accounts are translated at the historical rate. Adjustments resulting from the translation of the balance sheets of the Company's PRC subsidiaries are recorded in stockholders' equity as part of accumulated other comprehensive loss. The statement of loss and comprehensive loss is



translated at average rate during the reporting period. Gains or losses resulting from transactions in currencies other than the functional currencies are recognized in net loss for the reporting periods as part of general and administrative expense. The statement of cash flows is translated at average rate during the reporting period, with the exception of the consideration paid for the acquisition of business which is translated at historical rates.

(k) Foreign Operations

All of the Company's operations and assets are located in PRC. The Company may be adversely affected by possible political or economic events in this country. The effect of these factors cannot be accurately predicted.

(l) Inventories.

Inventories are stated at the lower of cost, determined on a first-in first-out cost basis, or net realizable value. Costs of work-in-progress and finished goods comprise direct materials, direct labor and an attributable portion of manufacturing overhead. Net realizable value is based on estimated selling price less costs to complete and selling expenses.

(m) Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated balance sheets. Finance leases are included in finance lease ROU assets and finance lease liabilities in the consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease and finance lease ROU assets and liabilities are recognized at January 1, 2019 based on the present value of lease payments over the lease term discounted using the rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company does not recognize operating lease ROU assets and liabilities arising from lease arrangements with lease term of twelve months or less.

(n) Stock-based Compensation

Stock-based awards issued to employees are recorded at their fair values estimated at grant date using the Black-Scholes model and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period. Consistent with the accounting requirement for employee stock-based awards, nonemployee stock-based awards are measured at the grant-date fair value of the equity instruments that the Company is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied.

The Company has elected to account for the forfeiture of stock-based awards as they occur.

(o) Loss Contingencies

The Company accrues for loss contingencies relating to legal matters, including litigation defense costs, claims and other contingent matters, including liquidated damage liabilities, when such liabilities become probable and could be reasonably estimable. Such estimates may be based on advice from third parties or on management's judgment, as appropriate. Revisions to accruals are reflected in earnings (loss) in the period in which different facts or information become known or circumstances change that affect the Company's previous assumptions with respect to the likelihood or amount of loss. Amounts paid upon the ultimate resolution of such liabilities may be materially different from previous estimates.

(p) Income Tax

The Company accounts for income taxes in accordance with the Income Taxes Topic of the FASB ASC, which requires the use of the liability method of accounting for deferred income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their reported amounts at each period end. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The deferred income tax effects of a change in tax rates are recognized in the period of enactment. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. The guidance also provides criteria for the recognition, measurement, presentation and disclosures of uncertain tax positions. A tax benefit from an uncertain tax position may be recognized if it is "more likely than not" that the position is sustainable based solely on its technical merits. Interests and penalties associated with unrecognized tax benefits are included within the (benefit from) provision for income tax in the consolidated statement of income (loss).

(q) New Accounting Pronouncements

Recent accounting pronouncements adopted

There were no recent accounting pronouncements adopted during the nine months ended September 30, 2023.

*Recently Issued Accounting Pronouncements Not Yet Adopted*

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The amendments in this Update affect loans, debt securities, trade receivables, and any other financial assets that have the contractual right to receive cash. The ASU requires an entity to recognize expected credit losses rather than incurred losses for financial assets. For public entities, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For the Company which is a smaller reporting company, ASU No. 2019-10 extends the effective dates for two years. The Company is currently evaluating the effect of this on the condensed consolidated financial statements and related disclosure.



Accounts receivable net consist of:

	September 30, 2023	December 31, 2022
Accounts receivable	\$ 2,174,443	\$ 5,388,213
Allowance for doubtful debt	( 24,325)	( 25,047)
	<u>\$ 2,150,118</u>	<u>\$ 5,363,166</u>

The overall accounts receivable balance as of September 30, 2023 decreased by \$ 3,213,048 , as compared to those of December 31, 2022. We have policies in place to ensure that sales are made to customers with an appropriate credit history. We perform ongoing credit evaluation on the financial condition of our customer.

#### NOTE 3 – INVENTORIES

Inventories consist of:

	September 30, 2023	December 31, 2022
Raw materials	\$ 30,413	\$ 26,192
Finished goods	936,572	1,667,281
Less: impairment	(92,165)	(94,901)
Inventory, net	<u>\$ 874,820</u>	<u>\$ 1,598,572</u>

The inventory valuation allowance, representing a write-down of inventory, was \$ 92,165 and \$ 0 as of as of September 30, 2023 and 2022.

#### NOTE 4 – PREPAID LAND LEASES

The Company has the rights to use certain parcels of land located in Shouguang, Shandong, PRC, through lease agreements signed with local townships or the government authority. The production facilities and warehouses of the Company are located on these parcels of land. The lease term ranges from ten to fifty years. Some of the lease contracts were paid in one lump sum upfront and some are paid annually at the beginning of each anniversary date. These leases have no purchase option at the end of the lease term and were classified as operating leases prior to and as of January 1, 2019 when the new lease standard was adopted. Prior to January 2019, the prepaid land lease was amortized on a straight line basis. As of January 1, 2019, all the leases in which term has commenced and were in use were classified as operating lease right-of-use assets ("ROU"). See Note 6.

In December 2017, the Company paid a one lump sum upfront amount of \$ 8,867,267 for a 50-year lease of a parcel of land at Bohai Marine Fine Chemical Industrial Park ("Bohai") for the new chemical factory under construction. There is no purchase option at the end of the lease term. This was classified as an operating lease prior to and as of January 1, 2019. The land use certificate was issued on October 25, 2019. The lease term expires on August 12, 2069. The amount paid was recorded as prepaid land leases, net of current portion in the consolidated balance sheet as of September 30 2023 and December 31, 2022. As of September 30, 2023, the prepaid land lease increased to \$ 9,254,124 due to an additional amount paid for stamp duty and related land use rights fees. Amortization of this prepaid land lease will commence when the chemical factory is completed and placed in service.

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#### NOTE 5 – PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

	September 30, 2023	December 31, 2022
At cost:		
Mineral rights	\$ 2,689,246	\$ 2,769,091
Buildings	28,965,369	31,503,908
Plant and machinery	180,609,821	185,972,160
Motor vehicles	121,680	125,293
Furniture, fixtures and office equipment	2,215,474	2,281,251
Construction in process	21,328,718	11,356,546
Total	<u>235,930,308</u>	<u>234,008,249</u>
Less: Accumulated depreciation and amortization	( 95,057,558)	( 84,091,483)
Impairment	—	—
Net book value	<u>\$ 140,872,750</u>	<u>\$ 149,916,766</u>

The Company has certain buildings and salt pans erected on parcels of land located in Shouguang, PRC, and such parcels of land are collectively owned by local townships or the government authority. The Company has not been able to obtain property ownership certificates over these buildings and salt pans. The aggregate carrying values of these properties situated on parcels of the land are \$ 13,636,724 and \$ 14,713,101 as at September 30, 2023 and December 31, 2022, respectively.

During the three-month period ended September 30, 2023, depreciation and amortization expense totaled \$ 4,787,568 of which \$ 760,400 , \$ 166,042 and \$3,861,126 were recorded in direct labor and factory overheads incurred during plant shutdown , administrative expenses and cost of net revenue . During the nine-month period ended September 30, 2023, depreciation and amortization expense totaled \$ 15,381,658 of which \$ 3,502,188 , \$ 765,921 and \$11,113,549 were recorded in direct labor and factory overheads incurred during plant shutdown , administrative expenses and cost of net revenue .

During the three-month period ended September 30, 2022, depreciation and amortization expense totaled \$ 5,982,055 of which \$ 1,523,855 , \$ 165,992 and \$4,292,208 were recorded in direct labor and factory overheads incurred during plant shutdown , administrative expenses and cost of net revenue . During the nine-month period ended September 30, 2022, depreciation and amortization expense totaled \$ 16,255,069 of which \$ 4,817,711 , \$ 1,534,387 and \$9,902,971 were recorded in direct labor and factory overheads incurred during plant shutdown , administrative expenses and cost of net revenue.

The Company has commenced a flood prevention initiative. The Company's strategy involves the renovation of the channels of four major rivers within its mining area, encompassing the tributary of the Mihe River. The aim is to prevent flooding that could harm the wells, aqueducts, and crude salt pans at the Company's plant. The projected expenditure for this initiative amounts to \$ 50,497,652 . As of September 30, 2023, the Company disbursed \$ 15,149,296 for the initial phase of this project.

#### NOTE 6 – FINANCE LEASE RIGHT-OF-USE ASSETS

Property, plant and equipment under finance leases, net consist of the following:

	September 30, 2023	December 31, 2022
At cost:		
Buildings	\$ 114,748	\$ 118,154
Plant and machinery	110,085	2,161,461
Total	224,833	2,279,615
Less: Accumulated depreciation and amortization	( 69,564)	( 2,115,747)
Net book value	\$ 155,269	\$ 163,868

The above buildings erected on parcels of land located in Shouguang, PRC, are collectively owned by local townships. The Company has not been able to obtain property ownership certificates over these buildings as the Company could not obtain land use rights certificates on the underlying parcels of land.

During the three and nine months period ended September 30, 2023, depreciation and amortization expense totaled \$ 1,291 and \$3,966, respectively, which was recorded in direct labor and factory overheads incurred during plant shutdown.

During the three and nine months period ended September 30, 2022, depreciation and amortization expense totaled \$ 1,356 and \$4,216, respectively, which was recorded in direct labor and factory overheads incurred during plant shutdown.

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#### NOTE 7 – OPERATING LEASE RIGHT-OF USE ASSETS

As of September 30, 2023, the total operating lease ROU assets was \$ 7,668,554 .

The total operating lease cost for the nine-month period ended September 30, 2023 and 2022 was \$ 706,033 and \$ 746,731 .

The Company has the rights to use certain parcels of land located in Shouguang, the PRC, through lease agreements signed with local townships or the government authority (See Note 3). For parcels of land that are collectively owned by local townships, the Company cannot obtain land use rights certificates. The parcels of land of which the Company cannot obtain land use rights certificates covers a total of approximately 38.6 square kilometers of aggregate carrying value of \$8,452,893 as at September 30, 2023.

#### NOTE 8 – ACCOUNTS PAYABLE, OTHER PAYABLE AND ACCRUED EXPENSES

Accounts payable, other payable and accrued expenses consist of the following:

	September 30, 2023	December 31, 2022
Accounts payable	\$ 229,260	\$ 57,649
Salary payable	239,322	250,610
Other payable	—	89,577
Accrued expense for construction	5,322,637	6,403,742
Accrued expense-others	359,806	1,022,144
Total	\$ 6,151,025	\$ 7,823,722

#### NOTE 9– RELATED PARTY TRANSACTIONS

On September 25, 2012, the Company purchased five floors of a commercial building in the PRC, through SYCI, from Shandong Shouguang Vegetable Seed Industry Group Co., Ltd. (the "Seller") at a cost of approximately \$ 5.7 million in cash, of which Mr. Ming Yang, the Chairman of the Company, had a 99% equity interest in the Seller. During the first quarter of 2018, the Company entered into an agreement with the Seller, a related party, to provide property management services for an annual amount of approximately \$ 90,785 for five years from January 1, 2023 to December 31, 2027 . The expense associated with this agreement for the three and nine months ended September 30, 2023 was approximately \$21,748 and \$66,028. The expense associated with this agreement for the three and nine months ended September 30, 2022 was approximately \$21,968 and \$69,775.

#### NOTE 8 – RELATED PARTY TRANSACTIONS – Continued

- a) Related parties

Name of related parties	Position
Yang Ming	Chairman Of the Board
Liu XiaoBin	Chief Executive Officer
Li Min	Chief Financial Officer
Miao NaiHui	Chief Operating Officer

b)

	September 30, 2023	December 31, 2022
Amount due to related parties:		
Yang Ming	\$ 411,323	\$ 423,534
Liu Xiao Bin	887,213	887,214
Li Min	637,092	647,473
Miao Nai Hui	637,092	647,473
Total	<u>\$ 2,572,720</u>	<u>\$ 2,605,694</u>

Considering that the Company has not performed well in recent years, the Company and its executive officers mutually agreed and to returned all, or a portion of their cash compensation earned for their services with the Company, which may be considered for future compensation should the Company improve its results of operations.

#### NOTE 10– TAXES PAYABLE

	September 30, 2023	December 31, 2022
Land use tax payable	\$ 24,383	\$ 25,107
Value added tax and other taxes payable	497,443	674,456
Total	<u>\$ 521,826</u>	<u>\$ 699,563</u>

#### NOTE 11 –LEASE LIABILITIES-FINANCE AND OPERATING LEASE

The components of finance lease liabilities were as follows:

	Imputed Interest rate	September 30, 2023	December 31, 2022
Total finance lease liability	6.7%	\$ 1,443,368	\$ 1,675,067
Less: Current portion		( 188,750)	( 213,346)
Finance lease liability, net of current portion		<u>\$ 1,254,618</u>	<u>\$ 1,461,721</u>

Interest expenses from capital lease obligations amounted to \$ 23,791 and \$ 23,934 for the three-month period ended September 30, 2023 and 2022, respectively, which were charged to the condensed consolidated statement of income (loss). Interest expenses from capital lease obligations amounted to \$ 80,252 and \$ 93,630 for the nine-month period ended September 30, 2023 and 2022, respectively, which were charged to the condensed consolidated statement of income (loss).

The components of operating lease liabilities as follows:

	Imputed Interest rate	September 30, 2023	December 31, 2022
Total Operating lease liabilities	4.89%	\$ 7,480,606	\$ 8,009,091
Less: Current portion		( 436,382)	( 433,440)
Operating lease liabilities, net of current portion		<u>\$ 7,044,224</u>	<u>\$ 7,575,651</u>

The weighted average remaining operating lease term at September 30, 2023 was 19 years and the weighted average discounts rate was 4.89 %. Lease payments for the three-month period ended September 30, 2023 and 2022, respectively, were \$ 64,866 and \$ 64,896 . Lease payments for the nine-month period ended September 30, 2023 and 2022, respectively, were \$ 824,572 and \$ 888,692 .

Maturities of lease liabilities were as follows:

	Financial lease	Operating Lease
Payable within:		
the next 12 months	\$ 261,729	\$ 816,349
the next 13 to 24 months	261,729	823,459
the next 25 to 36 months	261,729	827,647
the next 37 to 48 months	261,729	835,232
the next 49 to 60 months	261,729	839,755
thereafter	523,458	9,147,846
Total	1,832,103	13,290,288
Less: Amount representing interest	( 388,735)	( 5,809,682)
Present value of net minimum lease payments	<u>\$ 1,443,368</u>	<u>\$ 7,480,606</u>

## NOTE 12 —EQUITY

### Restricted Shares

A restricted stock award ("RSA") is an award of common shares that is subject to certain restrictions during a specified period. Restricted stock awards are independent of option grants and are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the shares before the restricted shares vest. Shares of nonvested restricted stock have the same voting rights as common stock, are entitled to receive dividends and other distributions thereon and are considered to be currently issued and outstanding. The Company expenses the cost of the restricted stock awards, which is determined to be the fair market value of the shares at the date of grant, straight-line over the period during which the restrictions lapse. For these purposes, the fair market value of the restricted stock is determined based on the closing price of the Company's common stock on the grant date.

### Retained Earnings – Appropriated

In accordance with the relevant PRC regulations and the PRC subsidiaries' Articles of Association, the Company's PRC subsidiaries are required to allocate its profit after tax to the following reserve:

#### Statutory Common Reserve Funds

SCHC, SYCI, SHSI and DCHC are required each year to transfer at least 10% of the profit after tax as reported under the PRC statutory financial statements to the Statutory Common Reserve Funds until the balance reaches 50% of the registered share capital. This reserve can be used to make up any loss incurred or to increase share capital. Except for the reduction of losses incurred, any other application should not result in this reserve balance falling below 25% of the registered capital. The Statutory Common Reserve Fund as of September 30, 2023 for SCHC, SYCI, SHSI, and DCHC is 16%, 14%, 0% and 0% of its registered capital, respectively.

## NOTE 13 – TREASURY STOCK

As of September 30, 2023 and December 31, 2022, the number of treasury stock of the Company was 285,830 and 285,830, respectively.

## NOTE 14 – STOCK-BASED COMPENSATION

Pursuant to the Company's 2019 Omnibus Equity Incentive Plan adopted and approved in 2019 ("2019 Plan"), awards under the 2019 Plan is limited in the aggregate to 2,068,398 shares of our common stock, inclusive of the awards that were previously issued and outstanding under the Company's 2007 Equity Incentive Plan, as amended (the "2007 Plan"). Upon adoption and approval of the 2019 Plan, the 2007 Plan was frozen, no new awards will be granted under the 2007 Plan, and outstanding awards under the 2007 Plan will continue to be governed by the terms and condition of the 2007 Plan and applicable award agreement. As of September 30, 2023, the number of shares of the Company's common stock available for grant of awards under the 2019 Plan was 856,801 shares.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The risk free rate is based on the yield-to-maturity in continuous compounding of the US Government Bonds with the time-to-maturity similar to the expected tenor of the option granted, volatility is based on the annualized historical stock price volatility of the Company, and the expected life is based on the historical option exercise pattern.

For the three months ended September 30, 2023 and 2022, total compensation costs for options issued recorded in the consolidated statement of loss were \$ 0.

During the three and nine months ended September 30, 2023, there were no options granted to employees or non-employees.

The following table summarizes all Company stock option transactions between January 1, 2023 and September 30, 2023.

	Number of Option and Warrants Outstanding and exercisable	Weighted- Average Exercise price of Option and Warrants	Range of Exercise Price per Common Share
Balance, January 1, 2023	—	\$ —	—
Granted during the period	—	—	—
Exercised during the period	—	—	—
Expired during the period	—	\$ —	\$ —
Balance, September 30, 2023	—	\$ —	—

#### Stock Options and Warrants Outstanding and Exercisable

	Outstanding at September 30, 2023	Range of Exercise Prices	Weighted Average Remaining Contractual Life (Years)
Outstanding and exercisable	—	—	—

All options exercisable and outstanding at September 30, 2023 are fully vested. As of September 30, 2023 there was no unrecognized compensation cost related to outstanding stock options,

The aggregate intrinsic value of options outstanding and exercisable as of September 30, 2023 was \$ 0.

During the three and nine months ended September 30, 2023 and 2022, there were no options exercised.

## NOTE 15 – INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes in accordance with FASB ASC 740-10.

### (a) United States ("US")

Gulf Resources, Inc. may be subject to the United States of America Tax laws at a tax rate of 21 %. No provision for the US federal income taxes has been made as the Company had no US taxable income for the three-month and nine-month periods ended September 30, 2023 and 2022, and management believes that its earnings are permanently invested in the PRC.

### (b) British Virgin Islands ("BVI")

Upper Class Group Limited, a subsidiary of Gulf Resources, Inc., was incorporated in the BVI and, under the current laws of the BVI, it is not subject to tax on income or capital gain in the BVI. Upper Class Group Limited did not generate assessable profit for the three-month and nine-month periods ended September 30, 2023 and 2022.

### (c) Hong Kong

HKJI, a subsidiary of Upper Class Group Limited, was incorporated in Hong Kong and is subject to Hong Kong taxation on its activities conducted in Hong Kong and income arising in or derived from Hong Kong. No provision for income tax has been made as it has no taxable income for the three-month and nine-month periods ended September 30, 2023 and 2022. The applicable statutory tax rates for the three-month and nine-month periods ended September 30, 2023 and 2022 are 16.5 %. There is no dividend withholding tax in Hong Kong.

### (d) PRC

Enterprise income tax ("EIT") for SCHC, SYCI, SHSI and DCHC in the PRC is charged at 25 % of the assessable profits.

The operating subsidiaries SCHC is a wholly foreign-owned enterprises ("FIE"), SYCI, DCHC, and SHSI are incorporated in the PRC and are subject to PRC Local Income Tax Law. The PRC tax losses may be carried forward to be utilized against future taxable profit for ten years for High-tech enterprises and small and medium-sized enterprises of science and technology and for five years for other companies. Tax losses of the operating subsidiaries of the Company may be carried forward for five years.

On February 22, 2008, the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") jointly issued Cai Shui [2008] Circular 1 ("Circular 1"). According to Article 4 of Circular 1, distributions of accumulated profits earned by a FIE prior to January 1, 2008 to foreign investor(s) in 2008 will be exempted from withholding tax ("WHT") while distribution of the profit earned by an FIE after January 1, 2008 to its foreign investor(s) shall be subject to WHT at 5% effective tax rate.

As of September 30, 2023 and December 31, 2022, the accumulated distributable earnings under the Generally Accepted Accounting Principles (GAAP) of PRC that are subject to WHT are \$138,933,575 and \$147,686,099, respectively. Since the Company intends to reinvest its earnings to further expand its businesses in mainland China, its foreign invested enterprises do not intend to declare dividends to their immediate foreign holding companies in the foreseeable future. Accordingly, as of September 30, 2023 and December 31, 2022, the Company has not recorded any WHT on the cumulative amount of distributable retained earnings of its foreign invested enterprises that are subject to WHT in China. As of September 30, 2023 and December 31, 2022, the unrecognized WHT are \$5,996,965 and \$6,406,394, respectively.

The Company's income tax returns are subject to the various tax authorities' examination. The federal, state and local authorities of the United States may examine the Company's income tax returns filed in the United States for three years from the date of filing. The Company's US income tax returns since 2016 are currently subject to examination.

Inland Revenue Department of Hong Kong ("IRD") may examine the Company's income tax returns filed in Hong Kong for seven years from date of filing. For the years 2012 through 2019, HKJI did not report any taxable income. It did not file any income tax returns during these years except for 2014 and 2018. For companies which do not have taxable income, IRD typically issues notification to companies requiring them to file income tax returns once in every four years. The tax returns for 2014 and 2018 have been examined, and there is no Hong Kong Profits Tax was charged.

The components of the income tax benefit from continuing operations are:

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2023	2022	2023	2022
Current taxes – PRC	\$ —	\$ —	\$ —	\$ —
Deferred tax – PRC entities	483,524	( 3,010,967)	876,779	( 4,356,283)
	<u>\$ 483,524</u>	<u>\$ ( 3,010,967)</u>	<u>\$ 876,779</u>	<u>\$ ( 4,356,283)</u>

Significant components of the Company's deferred tax assets and liabilities at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
Deferred tax liabilities	\$ —	\$ —
Deferred tax assets:		
Exploration costs	1,736,028	1,787,571
PRC tax losses	12,948,587	12,211,867
US federal net operating loss	1,569,617	1,336,405
Total deferred tax assets	16,254,232	15,335,843
Valuation allowance	( 10,250,146)	( 10,016,934)
Net deferred tax asset	<u>\$ 6,004,086</u>	<u>\$ 5,318,909</u>

The decrease in valuation allowance for the three-month period ended September 30, 2023 is \$ 12,974 .

The increase in valuation allowance for the three-month period ended September 30, 2022 is \$ 0 .

The decrease in valuation allowance for the nine-month period ended September 30, 2023 is \$ 233,212 .

The increase in valuation allowance for the nine-month period ended September 30, 2022 is \$ 34,176 .

There were no unrecognized tax benefits and accrual for uncertain tax positions as of September 30, 2023 and December 31, 2022 and no amounts

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## NOTE 16 – BUSINESS SEGMENTS

An operating segment's performance is primarily evaluated based on segment operating income, which excludes share-based compensation expense, certain corporate costs and other income not associated with the operations of the segment. These corporate costs (income) are separately stated below and also include costs that are related to functional areas such as accounting, treasury, information technology, legal, human resources, and internal audit. The Company believes that segment operating income, as defined above, is an appropriate measure for evaluating the operating performance of its segments. All the customers are located in PRC.

Three-Month Period Ended September 30, 2023	Bromine*	Crude Salt*	Chemical Products	Natural Gas	Segment Total	Corporate	Total
Net revenue (external customers)	\$ 4,908,152	\$ 889,556	\$ —	\$ 67,907	\$ 5,865,615	\$ —	\$ 5,865,615
Net revenue (intersegment)	—	—	—	—	—	—	—
Income(loss) from operations before income tax benefit	( 2,143,203)	500,469	( 397,410)	4,156	( 2,035,988)	( 257,300)	( 2,293,288)
Income tax benefit (expense)	516,927	( 125,731)	92,328	—	483,524	—	483,524
Income (loss) from operations after income tax benefit (expense)	(1,626,276)	374,738	(305,082)	4,156	(1,552,464)	(257,300)	(1,809,764)
Total assets	159,846,002	11,983,765	105,533,526	1,244,427	278,607,720	285,157	278,892,877
Depreciation and amortization	4,507,616	180,121	67,692	33,430	4,788,859	—	4,788,859
Capital expenditures	15,149,296	—	—	—	15,149,296	—	15,149,296

Three-Month Period Ended September 30, 2022	Bromine*	Crude Salt*	Chemical Products	Natural Gas	Segment Total	Corporate	Total
Net revenue (external customers)	\$ 19,845,773	\$ 2,934,707	\$ —	\$ 82,315	\$ 22,862,795	\$ —	\$ 22,862,795
Net revenue (intersegment)	—	—	—	—	—	—	—
Income(loss) from operations before income tax benefit (expense)	10,552,343	1,876,161	( 447,960)	19,500	12,000,044	( 57,452)	11,942,592
Income tax benefit(expense)	( 2,642,167)	( 469,197)	100,397	—	( 3,010,967)	—	( 3,010,967)
Income (loss) from operations after income tax benefit (expense)	7,910,176	1,406,964	(347,563)	19,500	8,989,077	(57,452)	8,931,625
Total assets	168,912,333	11,286,079	108,653,553	1,389,190	290,241,155	303,226	290,544,381
Depreciation and amortization	5,055,864	821,269	71,120	35,158	5,983,411	—	5,983,411
Capital expenditures	—	—	—	—	—	—	—

\* Certain common production overheads, operating and administrative expenses and asset items (mainly cash and certain office equipment) of bromine and crude salt segments in SCHC were split by reference to the average selling price and production volume of the respective segment until April 2022. Commencing May 2022, costs were assigned to the two subsidiaries (SCHC and SHSI) by independent accounting.

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## NOTE 16 – BUSINESS SEGMENTS – Continued

Nine-Month Period Ended September 30, 2023	Bromine*	Crude Salt*	Chemical Products	Natural Gas	Segment Total	Corporate	Total
Net revenue (external customers)	\$ 20,734,871	\$ 2,287,672	\$ —	\$ 150,861	\$ 23,173,404	\$ —	\$ 23,173,404
Net revenue (intersegment)	—	—	—	—	—	—	—
Income(loss) from operations before income tax benefit	( 3,340,404)	904,482	( 1,231,302)	14,011	( 3,653,213)	( 358,731)	( 4,011,944)
Income tax benefit (expense)	800,170	( 228,002)	304,611	—	876,779	—	876,779
Income (loss) from operations after income tax benefit (expense)	(2,540,234)	676,480	(926,691)	14,011	(2,776,434)	(358,731)	(3,135,165)
Total assets	159,846,002	11,983,765	105,533,526	1,244,427	278,607,720	285,157	278,892,877
Depreciation and amortization	14,521,943	553,141	207,878	102,662	15,385,624	—	15,385,624



Capital expenditures	15,197,648	—	—	—	15,197,648	—	15,197,648
<b>Nine-Month Period Ended September 30, 2022</b>							
	Bromine*	Crude Salt*	Chemical Products	Natural Gas	Segment Total	Corporate	Total
Net revenue (external customers)	\$ 41,865,598	\$ 5,506,655	\$ —	\$ 132,993	\$ 47,505,246	\$ —	\$ 47,505,246
Net revenue (intersegment)	—	—	—	—	—	—	—
Income(loss) from operations before income tax benefit (expense)	17,226,718	1,497,208	( 1,436,443)	( 68,938)	17,218,545	( 231,877)	16,986,668
Income tax benefit(expense)	( 4,304,623)	( 374,822)	323,162	—	( 4,356,283)	—	( 4,356,283)
Income (loss) from operations after income tax benefit (expense)	12,922,095	1,122,386	(1,113,281)	(68,938)	12,862,262	(231,877)	12,630,385
Total assets	168,912,333	11,286,079	108,653,553	1,389,190	290,241,155	303,226	290,544,381
Depreciation and amortization	12,667,791	3,261,180	221,017	109,297	16,259,285	—	16,259,285
Capital expenditures	33,217,987	—	—	—	33,217,987	—	33,217,987

\* Certain common production overheads, operating and administrative expenses and asset items (mainly cash and certain office equipment) of bromine and crude salt segments in SCHC were split by reference to the average selling price and production volume of each respective segment through April 2022. Commencing May 2022, costs were assigned to the two subsidiaries (SCHC and SHSI) by independent accounting.

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NOTE 16 – BUSINESS SEGMENTS – Continued

Reconciliations	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2023	2022	2023	2022
Total segment operating Income (loss)	\$ (2,035,988)	\$ 12,000,044	\$ (3,653,213)	\$ 17,218,545
Corporate costs	(65,148)	(50,505)	(193,287)	(186,682)
Unrealized gain on translation of intercompany balance	(192,152)	(6,947)	(165,444)	(45,195)
Income (loss) from operations	( 2,293,288)	11,942,592	( 4,011,944)	16,986,668
Other income, net of expense	33,967	35,755	119,805	118,843
Income (loss) before taxes	\$ ( 2,259,321)	\$ 11,978,347	\$ ( 3,892,139)	\$ 17,105,511

The following table shows the major customer(s) (10% or more) for the three-month period ended September 30, 2023.

Number	Customer	Bromine (000's)	Crude Salt (000's)	Chemical Products (000's)	Total Revenue (000's)	Percentage of Total Revenue (%)
1	Shandong Brother Technology Limited	\$ 766	\$ 309	\$ —	\$ 1,075	18.5%
2	Shandong Morui Chemical Company Limited	\$ 769	\$ 298	\$ —	\$ 1,067	18.4%
3	Shouguang Weidong Chemical Company Limited	\$ 772	\$ 282	\$ —	\$ 1,054	18.2%

The following table shows the major customer(s) (10% or more) for the nine-month period ended September 30, 2023.

Number	Customer	Bromine (000's)	Crude Salt (000's)	Chemical Products (000's)	Total Revenue (000's)	Percentage of Total Revenue (%)
1	Shandong Morui Chemical Company Limited	\$ 3,166	\$ 842	\$ —	\$ 4,008	17.4%
2	Shandong Brother Technology Limited	\$ 3,077	\$ 768	\$ —	\$ 3,845	16.7%
3	Shouguang Weidong Chemical Company Limited	\$ 3,087	\$ 677	\$ —	\$ 3,764	16.4%
4	Shandong Shouguangshen Runfa Marine Chemical Company Limited	\$ 2,532	\$ —	\$ —	\$ 2,532	11%

The following table shows the major customer(s) (10% or more) for the three-month period ended September 30, 2022.

Number	Customer	Bromine (000's)	Crude Salt (000's)	Chemical Products (000's)	Total Revenue (000's)	Percentage of Total Revenue (%)
1	Shandong Morui Chemical Company Limited Shouguang Weidong Chemical Company Limited	\$ 2,190	\$ 1,123	\$ —	\$ 3,313	14.8%
2		\$ 2,041	\$ 885	\$ —	\$ 2,926	12.8%
3	Shandong Brother Technology Limited	\$ 2,339	\$ 927	\$ —	\$ 3,266	14%



The following table shows the major customer(s) (10% or more) for the nine-month period ended September 30, 2022.

Number	Customer	Bromine (000's)	Crude Salt (000's)	Chemical Products (000's)	Total Revenue (000's)	Percentage of Total Revenue (%)
1	Shandong Morui Chemical Company Limited	\$ 4,942	\$ 2,088	\$ —	\$ 7,030	14.8%
2	Shouguang Weidong Chemical Company Limited	\$ 4,169	\$ 1,583	\$ —	\$ 5,752	12.1%
3	Shandong Brother Technology Limited	\$ 4,782	\$ 1,836	\$ —	\$ 6,618	14%

#### NOTE 17– CUSTOMER CONCENTRATION

During the nine-month period ended September 30, 2023, the Company sold 68.4 % of its products to its top five customers. As of September 30, 2023, amounts due from these customers were \$1,485,777.

During the nine-month period ended September 30, 2022, the Company sold 52.9 % of its products to its top five customers. As of September 30, 2022, amounts due from these customers were \$6,095,578.

#### NOTE 18– MAJOR SUPPLIERS

During the nine-month period ended September 30, 2023 the Company purchased 100 % of its raw materials from its top five suppliers. As of September 30, 2023, amounts due to those suppliers were \$229,260.

During the nine-month period ended September 30, 2022 the Company purchased 100 % of its raw materials from its top five suppliers. As of September 30, 2022, amounts due to those suppliers were \$219,646.

#### NOTE 19 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of financial instruments, which consist of cash, accounts receivable and accounts payable and other payables, approximate their fair values due to the short-term nature of these instruments. There were no material unrecognized financial assets and liabilities as of September 30, 2023 and December 31, 2022.

#### NOTE 20 – CAPITAL COMMITMENT AND OTHER SERVICE CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as of September 30, 2023:

	Property Management Fees	Capital Expenditure
Payable within:		
the next 12 months	\$ 86,992	\$ 49,575,927
the next 13 to 24 months	86,992	961,171
the next 25 to 36 months	86,992	—
the next 37 to 48 months	86,992	—
the next 49 to 60 months	—	—
<b>Total</b>	<b>\$ 347,968</b>	<b>\$ 50,537,098</b>

#### NOTE 21 –LOSS CONTINGENCIES

On or about August 3, 2018, written decisions of administration penalty captioned Shou Guo Tu Zi Fa Gao Zi [2018] No. 291, Shou Guo Tu Zi Fa Gao Zi [2018] No. 292, Shou Guo Tu Zi Fa Gao Zi [2018] No. 293, Shou Guo Tu Zi Fa Gao Zi [2018] No. 294, Shou Guo Tu Zi Fa Gao Zi [2018] No. 295 and Shou Guo Tu Zi Fa Gao Zi [2018] No. 296 (together, the "Written Decisions") were served on Shouguang City Haoyuan Chemical Company Limited ("SCHC") by Shouguang City Natural Resources and Planning Bureau (the "Bureau"), naming SCHC as respondent respectively thereof. The Decisions challenged the land use of Factory nos. 2, 9, 7, 4, 8 and 10, respectively, and alleged, among other things, that SCHC had illegally occupied and used the land in the total area of approximately 52,674 square meter, on which Factory nos. 2, 9, 7, 4, 8 and 10 were built, respectively. The Written Decisions ordered SCHC, among other things, to return the land subject to the Written Decisions to its respective legal owner, restore the land to its original state, and demolish or confiscate all the buildings and facilities thereon and pay monetary penalty of approximately RMB 1.3 million (\$184,000) in the aggregate. Each of the Written Decisions shall be executed within 15 days upon serving on SCHC. Additional interest penalty shall be imposed at a daily rate of 3% in the event that SCHC does not make the monetary penalty payment in a timely manner. Subsequently, the Bureau filed enforcement actions to the People's Court of Shouguang City, Shandong Province (the "Court"), naming SCHC as enforcement respondent and alleged, among other things, that SCHC failed to perform its obligations under each of the Written Decisions within the specified timeframe. The enforcement proceedings sought court orders to enforce the Written Decisions. On May 5, 2019, written decisions of administrative ruling captioned (2019) Lu 0783 Xing Shen No. 384, (2019) Lu 0783 Xing Shen No. 385, (2019) Lu 0783 Xing Shen No. 389, (2019) Lu 0783 Xing Shen No. 390, (2019) Lu 0783 Xing Shen No. 393, and (2019) Lu 0783 Xing Shen No. 394, respectively (together, the "Court Rulings") were made by the Court in favor of the Bureau. The Court orders, among other relief, to enforce each of the Written Decisions, to return each subject land to its legal owners and demolish or confiscate the buildings and facilities thereon and restore the land to its original state within 10 days from the service of the Court Rulings on SCHC. The Court Rulings became enforceable immediately upon service on SCHC on May 5, 2019.

In the last twenty years, to the Company's knowledge, there were no government regulations requiring bromine manufacturers to obtain land use and planning approval document. As such, the Company believes most of the bromine manufacturers in Shouguang City do not have land use and planning approval documents and lease their land parcels from the village associations. They are facing the same issues in connection with land use and planning as the Company. To the Company's knowledge, the local government has submitted its plan to solve the issues to higher authority and are waiting for approval from the higher authority.

The Company is in the process of resolving the issues in connection with SCHC's land use and planning diligently. The Company has been in discussions closely with the local government authorities with the help from Shouguang City Bromine Association to seek reliefs and, based on verbal confirmation by local government authorities, believes the administrative penalties imposed by the Bureau according to the Written Decisions are being re-assessed by local government authorities and may be revoked. Pursuant to a Written Application dated October 28, 2019 addressed to the Court by the Bureau, the Bureau withdrew its application for the enforcement proceedings regarding the administrative penalty imposed on Factory No. 7, Factory No. 8 and Factory No. 10. Pursuant to a written decisions of administrative ruling captioned (2019) Lu 0783 Xing Shen No. 389 Zhi Yi, dated November 25, 2020, the Court orders to terminate the enforcement of the case captioned (2019) Lu 0783 Xing Shen No. 389. Production of Factory No. 7 was allowed to resume in April 2019. The Company received a notification from the Shouguang City Government in February 2019 informing the Company that Factory No. 1, No. 4, No. 7 and No. 9 have passed inspection and were approved to resume operation.

In addition, on August 28, 2019, the People's Government of Shandong Province, issued a regulation titled "Investment Project Management

Requirements of Chemical Companies in Shandong Province” permitting the construction of facilities on existing sites or infrastructure of bromine manufacturing and other chemical industry-related types of projects (clause 11 of section 3). The Company believes that the goal of the government is to standardize and regulate the industry and not to demolish the facilities or penalize the manufacturers. As of the date of this report, the Company has not been notified by the local government that it will take any measure to enforce the administrative penalties. Based on information known to date, the Company believes that it is remote that the Written Decisions or Court Rulings will be enforced within the expected timeframe and a material penalty or costs and expenses against the Company will result. However, there can be no assurance that there will not be any further enforcement action, the occurrence of which may result in further liabilities, penalties and operational disruption.

In view of the above facts and circumstances, the Company believes that it is not necessary to accrue for any estimated losses or impairment as of September 30, 2023.

#### NOTE 22 - SUBSEQUENT EVENT

Not Applicable.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Note Regarding Forward-Looking Statements

The discussion below contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act. We have used words such as “believes,” “intends,” “anticipates,” “expects” and similar expressions to identify forward-looking statements. These statements are based on information currently available to us and are subject to a number of risks and uncertainties that may cause our actual results of operations, financial condition, cash flows, performance, business prospects and opportunities and the timing of certain events to differ materially from those expressed in, or implied by, these statements. Except as expressly required by the federal securities laws, we undertake no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances, or for any other reason.

### Overview

We are a Nevada holding company which conducts operations through our wholly-owned China-based subsidiaries. Our business is conducted and reported in four segments, namely, bromine, crude salt, chemical products and natural gas.

Through our wholly-owned subsidiary, SCHC we produce and trade bromine; and through our wholly-owned subsidiary, SHSI, we manufacture and sell crude salt. We are one of the largest producers of bromine in China, as measured by production output. Elemental bromine is used to manufacture a wide variety of bromine compounds used in industry and agriculture. Bromine also is used to form intermediary chemical compounds such as Tetramethylbenzidine. Bromine is commonly used in brominated flame retardants, fumigants, water purification compounds, dyes, medicines and disinfectants. Crude salt is the principal material in alkali production as well as chlorine alkali production and is widely used in the chemical, food and beverage, and other industries.

Through our wholly-owned subsidiary, SYCI, we manufacture and sell chemical products used in oil and gas field exploration, oil and gas distribution, oil field drilling, papermaking chemical agents, inorganic chemicals and materials that are used for human and animal antibiotics.

Our wholly-owned subsidiary, DCHC, was established to explore and develop natural gas and brine resources (including bromine and crude salt) in Sichuan Province, China.

As disclosed in the Company's Current Report on Form 8-K filed on September 8, 2017, the Company received, on September 1, 2017, letters from the Yangkou County, Shouguang City government addressed to each of its subsidiaries, SCHC and SYCI, which stated that in an effort to improve the safety and environmental protection management level of chemical enterprises, the plants are requested to immediately stop production and perform rectification and improvements in accordance with the country's new safety and environmental protection requirements. In the Company's press release of August 11, 2017 and on its conference call of August 14, 2017, the Company addressed concerns that increased government enforcement of stringent environmental rules that were adopted in early 2017 to insure corporations bring their facilities up to necessary standards so that pollution and other negative environmental issues are limited and remediated, could have an impact on our business in both the short and long-term. The Company also expressed that although it believed its facilities were fully compliant at the time, the Company did not know how its facilities would fare under the new rules. Teams of inspectors from the government were sent to many provinces to inspect all mining and manufacturing facilities. The local government requested that facilities be closed, so that the facilities could undergo the inspection and analysis in the most efficient manner by inspectors' team. As a result, our facilities were closed on September 1, 2017.

The Company believes that this is another step by the government to improve the environment. It further believes the goal of the government is not to close all plants, but rather to codify the regulations related to project approval, land use, planning approval and environmental protection assessment approval so that illegal plants are not able to open in the future and so that plants close to population centers do not cause serious environmental damage. In addition, the Company believes that the Shandong provincial government wants to assure that each of its regional and county governments has applied the Notice in a consistent manner.

The Shouguang City Bromine Association, on behalf of all the bromine plants in Shouguang, started discussions with the local government agencies. The local governmental agencies confirmed the facts that their initial requirements for the bromine industry did not include the project approval, the planning approval and the land use rights approval and that those three additional approvals were new requirements of the provincial government. The Company understood from the local government that it has been coordinating with several government agencies to solve these three outstanding approval issues in a timely manner and that all the affected bromine plants will not be allowed to commence production prior to obtaining those approvals.

In February 2019, the Company received a notification from the local government of Yangkou County that its Factory No. 1, No.4, No. 7 and No. 9 have passed inspection and were allowed to resume operations. In April 2019, Factory No. 1 and No. 7 resumed operations.

On February 28, 2020, the Company announced that it received an approval from the government to resume bromine production after winter temporary closure. Subsequently, it received another approval from the Shouguang Yangkou People's Government dated on March 5, 2020 to resume production at its bromine factories No.1, No. 4, No.7 and No. 9 in order to meet the needs of bromide products for epidemic prevention and control. With these two approvals, the Company was allowed to resume production at all four bromine factories.

On December 27, 2021, the Company announced that the government of Shouguang City ordered the closing of all bromine facilities during the period from December 28, 2021 to February 21, 2022. The Company reopened its four operating bromine and crude salt facilities as planned on February 21, 2022.

The Company is still waiting for governmental approval for factories No. 2 and No.10.

To its knowledge, the government is currently completing its planning process for all mining areas including that for prevention of flood. As a result, the Company may be required to make modifications to our current wells and aqueducts prior to commencement of operations of these factories to satisfy the local government's requirements.

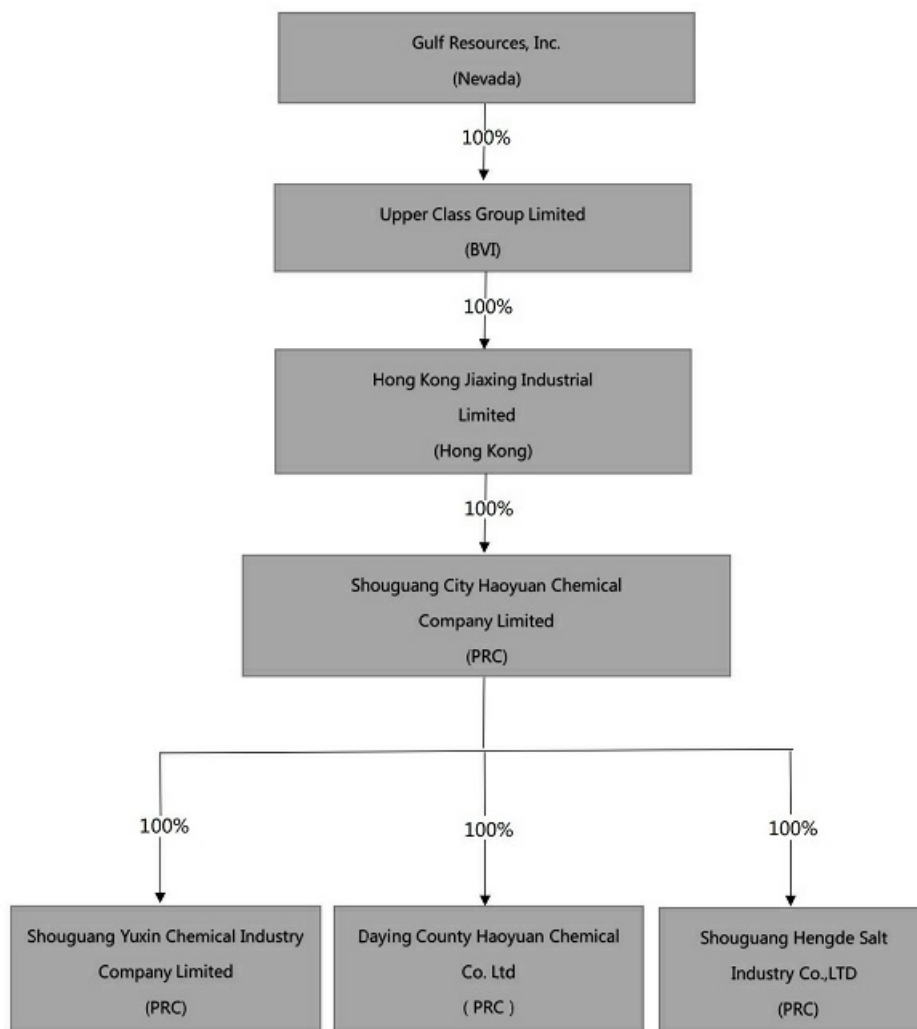
On November 24, 2017, Gulf Resources received a letter from the People's Government of Yangkou County, Shouguang City notifying the Company that due to the new standards and regulations relating to safety production and environmental pollution, from certain local governmental departments, such as the municipal environmental protection department, the security supervision department and the fire department, its chemical enterprises would have to be relocated to a new industrial park called Bohai Marine Fine Chemical Industry Park. Although our chemical companies were in compliance with regulations, they were also close to a residential area. As a result, the government determined the Company should relocate to the Bohai park. Chemical companies that were not asked to move into the park have been closed. Since the closure of our factories, the Company has secured from the government the land use rights for its chemical plant. On January 6, 2020, the Company received the environmental protection approval by the government of Shouguang City, Shandong Province for the proposed Yuxin Chemical factory. The Company began the construction on its new chemical facilities located at Bohai Marine Fine Chemical Industrial Park in June 2020. The completion of construction has been delayed due to COVID-19 related restrictions, supply chain disruption and electric restrictions. On February 22, 2022, the Company announced that while the Company did not receive a formal notice from the government regarding the electricity needed for its Yuxin Chemical factory, discussions with the government have convinced management that the electricity restrictions are being eased. Accordingly, the Company has contacted its suppliers and will have the remainder of the equipment produced and delivered, so the Company can complete installation. Because of supply chain issues, largely related to COVID 19, the delivery of some of the equipment has been delayed. At this time, the Company cannot estimate when construction will be completed.

In January 2017, the Company completed the first brine water and natural gas well field construction in Daying located in Sichuan Province and commenced trial production in January 2019. On May 29, 2019, the Company received a verbal notice from the government of Tianbao Town, Daying County, Sichuan Province, whereby the Company is required to obtain project approval for its well located in Daying, including the natural gas and brine water project, and approvals for safety production inspection, environmental protection assessment, as well as related land issues. Until these approvals have been received, the Company has temporarily halted trial production at its natural gas well in Daying. In compliance with the Chinese government new policies, the Company is also required to obtain exploration and mining licenses for both bromine and natural gas. Pursuant to the Opinions of the Ministry of Natural Resources on Several Issues in Promoting the Reform of Mineral Resources Management (Trial) promulgated by the Ministry of Natural Resources of PRC on January 9, 2020, which came into effect on May 1, 2020, privately owned enterprises are allowed to participate in the natural gas production. The Company plans to proceed with its applications for the natural gas and brine project approvals with related government departments after the governmental planning has been finalized and the land and resource planning for Sichuan Province has been approved.

As a result of our acquisitions of SCHC and SYCI, our historical consolidated financial statements and the information presented below reflects the accounts of SCHC, SYCI, SHSI and DCHC, the consolidated financial statements and the information presented below as of and for the period ended September 30, 2023. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

On January 28, 2020 we completed a 1-for-5 reverse stock split of our common stock, such that for each five shares outstanding prior to the stock split there was one share outstanding after the reverse stock split. All shares of common stock referenced in this report have been adjusted to reflect the stock split figures.

Our current corporate structure chart is set forth in the following diagram:



As a result of our acquisitions of SCHC and SYCI, our historical financial statements and the information presented below reflects the accounts of SCHC, SYCI, SHSI and DCHC. The following discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto appearing elsewhere in this report.

#### Recent Developments

In 2018, Shouguang City experienced the devastating impact of Typhoon Winbiya, regarded as one of the most destructive typhoons in history. In 2019, Typhoon Lekima struck Shouguang City, surpassing the destructive force of its predecessor. These typhoons inflicted significant damage upon our facilities and the surrounding agricultural fields. The Company incurred substantial expenses, amounting to more than \$46 millions, including write-offs, for road repairs, equipment replacement, salt pan reconstruction, the re-drilling of flooded wells and etc.. To mitigate similar damages in the future, the Company has commenced a flood prevention initiative. Our strategy involves the renovation of the channels of four major rivers within our mining area, encompassing the tributary of the Mihe River. The aim is to prevent flooding that could harm the wells, aqueducts and crude salt pans at our plant. The projected expenditure for this initiative amounts to approximately \$50.5 million. As of September 30, 2023, we disbursed approximately \$15.2 for the initial phase of this project. Apart from reducing risk to surrounding regions, we anticipate three advantages from this flood prevention plan. It is expected to: (i) enhance the probability of obtaining authorization to reopen factories No. 2 and No. 10; (ii) enable the drilling of additional wells across our five operating factories, and (iii) mitigate the risks and associated expenses related to future storms-induced flooding.

#### RESULTS OF OPERATIONS

The following table presents certain information derived from the condensed consolidated statements of operations, cash flows and stockholders equity for the three-month and nine-month periods ended September 30, 2023 and 2022.

##### Comparison of the Three-Month Period Ended September 30, 2023 and 2022

	Three-Month Period Ended September 30, 2023	Three-Month Period Ended September 30, 2022	Percent Change Increase/ (Decrease)
Net revenue	\$ 5,865,615	\$ 22,862,795	(74%)
Cost of net revenue	(6,373,902)	(8,405,694)	(24%)
Gross profit	(508,287)	14,457,101	(104%)
Sales, marketing and other operating expenses	(14,428)	(19,681)	(27%)
Direct labor and factory overheads incurred during plant shutdown	(1,007,689)	(1,910,318)	(47%)
General and administrative expenses	(762,884)	(584,473)	31%
Other operating income(loss)	—	(37)	(100%)
Income(Loss) from operations	(2,293,288)	11,942,592	(119%)

Other income	33,967	35,755	(5%)
Income(Loss) before taxes	(2,259,321)	11,978,347	(119%)
Income tax benefit	483,524	(3,010,967)	(116%)
Net income(loss)	<u>\$ (1,775,797)</u>	<u>\$ 8,967,380</u>	(120%)

**Net revenue.** The table below shows the changes in net revenue in the respective segment of the Company for the three-month period ended September 30, 2023 as compared to the same period in 2022:

	Net Revenue by Segment				Percent Change Increase of Net Revenue		
	Three-Month Period Ended September 30, 2023		Three-Month Period Ended September 30, 2022				
Segment		% of total		% of total			
Bromine	\$	4,908,152	84%	\$	19,845,773	86%	(75%)
Crude Salt		889,556	15%		2,934,707	13%	(70%)
Chemical Products		—	—		—	—	—
Natural Gas		67,907	1%		82,315	1%	(17%)
Total sales	\$	5,865,615	100%	\$	22,862,795	100%	(74%)

Bromine and crude salt segments product sold in tonnes	Three-Month Period Ended		Percentage Change Increase (Decrease)
	September 30, 2023	September 30, 2022	
Bromine	1,516	2,655	(43%)
Crude Salt	30,334	81,810	(63%)

#### Bromine segment

For the three-month periods ended September 30, 2023 and 2022, the net revenue for the bromine segment was \$4,908,152 and \$19,845,773, respectively. The decrease of the net revenue of bromine was due to the 43% decrease in tonnes sold and 57% decrease in average selling price of bromine in the third quarter of 2023. The average selling price of bromine in the third quarter of 2023 was \$3,237 compared to the average selling price of bromine in the third quarter of 2022 of \$7,474(calculated by dividing revenue by tonnes).

#### Crude salt segment

For the three-month periods ended September 30, 2023 and 2022, the net revenue for the crude salt was \$889,556 and \$2,934,707, respectively. The decrease of net revenue of crude salt was mainly due to the 63% decrease in tonnes sold and 18% decrease in average selling price of crude salt for the three-month period ended September 30, 2023.

#### Chemical products segment

For the three-month periods ended September 30, 2023 and 2022, the net revenue for the chemical products segment was \$0 due to the closure of our chemical factories since September 1, 2017.

#### Natural gas segment

For the three-month period ended September 30, 2023 and 2022, the net revenue was \$0.

#### Equipment Lease

For the three-month period ended September 30, 2023 and 2022, the net revenue for the equipment lease was \$67,907 and \$82,315.

#### **Cost of Net Revenue**

Segment	Cost of Net Revenue by Segment				Percent Change of Cost of Net Revenue
	Three-Month Period Ended September 30, 2023		Three-Month Period Ended September 30, 2022		
		% of total		% of total	
Bromine	\$ 5,995,496	94.06%	\$ 7,362,103	87.58%	(19%)
Crude Salt	378,100	5.93%	1,043,260	12.41%	(64%)
Chemical Products	—	—	—	—	—
Natural Gas	306	0.01%	331	0.01%	(8%)
Total	\$ 6,373,902	100%	\$ 8,405,694	100%	(24%)

Cost of net revenue reflects mainly the raw materials consumed, the direct salaries and benefits of staff engaged in the production process, electricity, depreciation and amortization of manufacturing plant and machinery and other manufacturing costs.

#### Bromine production capacity and utilization of our factories

The table below represents the annual capacity and utilization ratios for all of our bromine producing properties:

	Annual Production Capacity (in tonnes)	Utilization Ratio (i)
Three-month period ended September 30, 2022	31,506	34%
Three-month period ended September 30, 2023	31,506	19%
Variance of the three-month period ended September 30, 2023 and 2022	-	(15%)

(i) Utilization ratio is calculated based on the annualized actual production volume in tonnes for the periods divided by the annual production capacity in

tonnes of all the seven factories including those that have not commenced operations.

#### Bromine segment

For the three-month period ended September 30, 2023, the bromine segment had a net cost of revenue of \$5,995,496.

For the three-month period ended September 30, 2022 the cost of net revenue for the bromine segment was \$7,362,103.

#### Crude salt segment

For the three-month period ended September 30, 2023 the cost of net revenue for the crude salt segment was \$378,100.

For the three-month period ended September 30, 2022 the cost of net revenue for the crude salt segment was \$1,043,260.

#### Chemical products segment

Cost of net revenue for our chemical products segment for the three-month period ended September 30, 2023 and 2022 was \$0.

#### Natural gas segment

Cost of net revenue for our natural gas segment for the three-month period ended September 30, 2023 and 2022 was \$306 and 331.

**Gross Profit.** Gross loss was \$508,287 or 9%, of net revenue for three-month period ended September 30, 2023, representing an decrease of \$14,965,388, as compared to a gross profit of \$14,457,101, or 63%, of net revenue for the same period in 2022.

Segment	Gross Profit (Loss) by Segment				% Point Change of Gross Profit Margin
	Three-Month Period Ended September 30, 2023		Three-Month Period Ended September 30, 2022		
	Gross Profit (loss) Margin		Gross Profit (loss) Margin		
Bromine	\$ (1,087,344)	(22%)	\$ 12,483,670	63%	(85%)
Crude Salt	511,456	57%	1,891,447	64%	(7%)
Chemical Products	—	—	—	—	—
Natural Gas	67,601	100%	81,984	100	0%
Total Gross Profit	\$ (508,287)	(9%)	\$ 14,457,101	63%	(72%)

#### Bromine segment

For the three-month period ended September 30, 2023, the gross loss for our bromine segment was 22%, compared to 63% in the three-month period ended September 30, 2022. The decrease in gross profit margin was primarily attributable to the lower average selling price of bromine of \$3,237 per ton in the three-month period ended September 30, 2023 compared to \$7,474 per ton in the three-month period ended September 30, 2022.

For the three-month period ended September 30, 2022, the gross profit margin for our bromine segment was 63%.

#### Crude salt segment

For the three-month period ended September 30, 2023, the gross profit margin for our crude salt segment was 57%.

For the three-month period ended September 30, 2022, the gross profit margin for our crude salt segment was 64%.

**Direct labor and factory overheads incurred during plant shutdown** On September 1, 2017, the Company received notification from the government of Yangkou County, Shouguang City of PRC that stated that production at all its bromine and crude salt and chemical factories should be halted with immediate effect in order for the Company to perform rectification and improvement in accordance with the county's new safety and environmental protection requirements. On November 24, 2017, the Company received a letter from the Government of Yangkou County, Shouguang City notifying the Company to relocate its two chemical production plants located in the second living area of the Qinghe Oil Extraction Plant to Bohai Park. As a result, direct labor and factory overhead costs (including depreciation of plant and machinery) in the amount of \$1,007,689 and \$1,910,318 incurred for the three-month periods ended September 30, 2023 and 2022, respectively, of factories that have not resumed production were presented as part of the operating expense.

**Income (loss) from Operations** loss from operations was \$2,293,288 for the three-month period ended September 30, 2023, compared to income of \$11,942,592 in the same period in 2022.

Segment:	Loss from Operations by Segment			
	Three-Month Period Ended September 30, 2023		Three-Month Period Ended September 30, 2022	
		% of total		% of total
Bromine	\$ (2,143,203)	(105.27%)	\$ 10,552,343	87.94%
Crude Salt	500,469	24.58%	1,876,161	15.63%
Chemical Products	(397,410)	(19.52%)	(447,960)	0.16%
Natural Gas	4,156	0.21%	19,500	(3.73%)
Income(loss) from operations before corporate costs	(2,035,988)	100%	12,000,044	100%
Corporate costs	(65,148)		(50,505)	
Unrealized gain (loss) on translation of Intercompany balance	(192,152)		(6,947)	
Income (loss) from operations	<u>\$ (2,293,288)</u>		<u>\$ 11,942,592</u>	

#### Bromine segment

Loss from operations from our bromine segment was \$2,143,203 for the three-month period ended September 30, 2023, compared to income from operations of \$10,552,343 in the same period in 2022. The decrease of the net revenue of bromine was due to the 43% decrease in tonnes sold and 57% decrease in average selling price of bromine in the third quarter of 2023.

#### Crude salt segment

Income from operations from our crude salt segment was \$500,469 for the three-month period ended September 30, 2023, compared to income from operations of \$1,876,161 in the same period in 2022. The decrease of net revenue of crude salt was mainly due to the 63% decrease in tonnes sold and 18% decrease in average selling price of crude salt for the three-month period ended September 30, 2023.

#### Chemical products segment

Loss from operations from our chemical products segment was \$397,410 for the three-month period ended September 30, 2023, compared to loss from operations of \$447,960 in the same period in 2022.

#### Natural gas segment

Income from operations from our natural gas segment was \$4,156 for the three -month period ended September 30, 2023, compared to a loss of \$19,500 in the same period in 2022.

**Other Income, Net** Other income, net of \$33,967 represented bank interest income, net of capital lease interest expense for the three -month period ended September 30, 2023, an decrease of \$1,788 as compared to the same period in 2022.

**Net Income (loss)** Net loss was \$1,775,797 for the three-month period ended September 30, 2023, compared to a net income of \$8,967,380 in the same period in 2022.

#### **Comparison of the Nine-Month Period Ended September 30, 2023 and 2022**

	Nine-Month Period Ended September 30, 2023	Nine-Month Period Ended September 30, 2022	Percent Change Increase/ (Decrease)
Net revenue	\$ 23,173,404	\$ 47,505,246	(51%)
Cost of net revenue	(20,464,418)	(21,056,782)	(3%)
Gross profit	2,708,986	26,448,464	(90%)
Sales, marketing and other operating expenses	(42,850)	(47,086)	(9%)
Direct labor and factory overheads incurred during plant shutdown	(4,471,954)	(6,022,206)	(26%)
Other operating loss	60,134	(8,441)	812%
General and administrative expenses	(2,266,260)	(3,384,063)	(33%)
Income(Loss) from operations	(4,011,944)	16,986,668	(124%)
Other income	119,805	118,843	1%
Income(Loss) before taxes	(3,892,139)	17,105,511	(123%)
Income tax benefit (expense)	876,779	(4,356,283)	120%
Net income(loss)	\$ (3,015,360)	\$ 12,749,228	(124%)

**Net revenue.** The table below shows the changes in net revenue in the respective segment of the Company for the nine-month period ended September 30, 2023 as compared to the same period in 2022:

Segment	Net Revenue by Segment				Percent Increase of Net Revenue
	Nine-Month Period Ended		Nine-Month Period Ended		
	September 30, 2023		September 30, 2022		
	% of total		% of total		
Bromine	\$ 20,734,871	89.48%	\$ 41,865,598	88%	(51%)
Crude Salt	2,287,672	9.87%	5,506,655	11%	(59%)
Chemical Products	—	—	—	—	—
Natural Gas	150,861	0.65%	132,993	1%	13%
Total sales	\$ 23,173,404	100%	\$ 47,505,246	100%	(51%)

Bromine and crude salt segments product sold in tonnes	Nine-Month Period Ended		Percentage Change Increase
	September 30, 2023	September 30, 2022	
Bromine (excluding volume sold to SYCI)	5,937	5,456	9%
Crude Salt	71,354	144,750	(51%)

#### Bromine segment

Net revenue from our bromine segment increased to \$20,734,871 for the nine-month period ended September 30, 2023 compared to \$41,865,598 for the same period in 2022 respectively, due to the lower selling price and selling quantity.

#### Crude salt segment

Net revenue from our crude salt segment increased to \$2,287,672 for the nine-month period ended September 30, 2023 compared \$5,506,655 for the same period in 2022, respectively, due to the lower selling price and selling quantity.

#### Chemical products segment

For the nine-month period ended September 30, 2023 and 2022, the net revenue for the chemical products segment was \$0 due to the closure of our chemical factories since September 1, 2017.

#### Natural gas segment



For the nine-month period ended September 30, 2023 and 2022, the net revenue for the natural gas was \$0.

#### Equipment Lease

For the nine-month period ended September 30, 2023 and 2022, the net revenue for the equipment lease was \$150,861 and \$132,993.

#### Cost of Net Revenue

Segment	Cost of Net Revenue by Segment				% Change of Cost of Net Revenue
	Nine-Month Period Ended September 30, 2023		Nine-Month Period Ended September 30, 2022		
		% of total		% of total	
Bromine	\$ 19,187,620	94%	\$ 18,148,260	86%	6%
Crude Salt	1,276,119	6%	2,908,108	4%	(56%)
Chemical Products	—	—	—	—	—
Natural Gas	679	—	414	—	64%
Total	\$ 20,464,418	100%	\$ 21,056,782	100%	(3%)

Cost of net revenue reflects mainly the raw materials consumed-direct salaries and benefits of staff engaged in the production process, electricity, depreciation and amortization of manufacturing plant and machinery and other manufacturing costs.

#### Bromine production capacity and utilization of our factories

The table below represents the annual capacity and utilization ratios for all of our bromine producing properties:

	Annual Production Capacity (in tonnes)	Utilization Ratio (i)
Nine-month period ended September 30, 2022	31,506	23%
Nine-month period ended September 30, 2023	31,506	29%
Variance of the nine-month period ended September 30, 2023 and 2022	-	6%

- (i) Utilization ratio is calculated based on the annualized actual production volume in tonnes for the periods divided by the annual production capacity in tonnes.

#### Bromine segment

For the nine-month period ended September 30, 2023 the cost of net revenue for the bromine segment was \$19,187,620.

For the nine-month period ended September 30, 2022 the cost of net revenue for the bromine segment was \$18,148,260.

#### Crude salt segment

For the nine-month period ended September 30, 2023 the cost of net revenue for the crude salt segment was \$1,276,119. The cost of net revenue for our crude salt segment for the nine-month period ended September 30, 2022 was \$2,908,108.

The reason for the decrease is that there is that with the creation of SHSI, some costs formerly allocated to crude sale were allocated to bromine.

#### Natural gas segment

Cost of net revenue for our natural gas segment for the nine-month period ended September 30, 2023 and 2022 was \$679 and \$414.

**Gross Profit.** Gross profit was \$2,708,986, or 12%, of net revenue for nine-month period ended September 30, 2023 compared to \$26,448,464, or 56%, of net revenue for the same period in 2022.

Segment	Gross Profit (Loss) by Segment				% Point Change of Gross Profit Margin		
	Nine-Month Period Ended September 30, 2023		Nine-Month Period Ended September 30, 2022				
	Gross Profit (loss) Margin		Gross Profit Margin				
Bromine	\$	1,547,251	7%	\$	23,717,338	57%	(50%)
Crude Salt		1,011,553	44%		2,598,547	47%	(3%)
Chemical Products		—	—		—	—	—
Natural Gas		150,182	100%		132,579	99.7%	0.3%
Total Gross Profit	\$	2,708,986	12%	\$	26,448,464	56%	(44%)

#### Bromine segment

For the nine-month period ended September 30, 2023, the gross profit margin for our bromine segment was 7%, compared to 57% in the nine-month period ended September 30, 2022. The decrease in gross profit margin was primarily attributable to the lower average selling price of bromine of \$3,493 per ton in the nine-month period ended September 30, 2023 compared to \$7,674 per ton in the nine-month period ended September 30, 2022.

For the nine-month period ended September 30, 2022, the gross profit margin for our bromine segment was 57%.

#### Crude salt segment

For the nine-month period ended September 30, 2023, the gross profit margin for our crude salt segment was 44%.

For the nine-month period ended September 30, 2022 the gross profit margin for our crude salt segment was 47%.

### Chemical products segment

For the nine-month period ended September 30, 2023, the gross profit margin for our chemical segment was 0% due to the closure of our plant.. As a result of the closure, there were no chemical products for sale for the nine-month period ended September 30, 2023.

**Direct labor and factory overheads incurred during plant shutdown** On September 1, 2017, the Company received notification from the government of Yangkou County, Shouguang City of PRC that stated that production at all its bromine and crude salt and chemical factories should be halted with immediate effect in order for the Company to perform rectification and improvement in accordance with the county's new safety and environmental protection requirements. On November 24, 2017, the Company received a letter from the Government of Yangkou County, Shouguang City notifying the Company to relocate its two chemical production plants located in the second living area of the Qinghe Oil Extraction Plant to Bohai Park. As a result, direct labor and factory overhead costs (including depreciation of plant and machinery) in the amount of \$4,471,954 and \$6,022,206 incurred for the nine-month periods ended September 30, 2023 and 2022, respectively, for the factories that have not resumed production were presented as part of the operating expense.

**General and Administrative Expenses.** General and administrative expenses were \$2,266,260 for the nine-month period ended September 30, 2023, a decrease of \$1,117,803 (or 33%) as compared to \$3,384,063 for the same period in 2022. The decrease was mainly due to the unrealized foreign currency transaction loss on intercompany balance recorded in nine-month period ended September 30, 2023 compared to an unrealized foreign currency transaction gain on intercompany balance recorded in the same period in the previous year.

**Income (Loss) from Operations.** Loss from operations was \$4,011,944 for the nine-month period ended September 30, 2023, compared to an income of \$16,986,668 in the same period in 2022.

Segment:	Income(Loss) from Operations by Segment			
	Nine-Month Period Ended		Nine-Month Period Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		% of total		% of total
Bromine	\$ (3,340,404)	91.43%	\$ 17,226,718	100%
Crude Salt	904,482	(24.76%)	1,497,208	8.7%
Chemical Products	(1,231,302)	33.7%	(1,436,443)	(8.34%)
Natural Gas	14,011	(0.37%)	(68,938)	(0.36%)
Income (Loss) from operations before corporate costs	(3,653,213)	100%	17,218,545	100%
Corporate costs	(193,287)		(186,682)	
Unrealized gain on translation of intercompany balance	(165,444)		(45,195)	
Income (Loss) from operations before taxes	\$ (4,011,944)		\$ 16,986,668	

### Bromine segment

Loss from operations from our bromine segment was \$3,340,404 for the nine-month period ended September 30, 2023, compared to an income of \$17,226,718 in the same period in 2022. The decrease in gross profit margin was primarily attributable to the lower average selling price of bromine of \$3,493 per ton in the nine-month period ended September 30, 2023 compared to \$7,674 per ton in the nine-month period ended September 30, 2022.

### Crude salt segment

Income from operations from our crude salt segment was \$904,482 for the nine-month period ended September 30, 2023, compared to an income of \$1,497,208 in the same period in 2022.

### Chemical products segment

Loss from operations from our chemical products segment was \$1,231,302 for the nine-month period ended September 30, 2023, compared to a loss of \$1,436,443 in the same period in 2022.

### Natural gas segment

Income from operations from our natural gas segment was \$14,011 for the nine-month period ended September 30, 2023, compared to a loss of \$68,938 in the same period in 2022.

**Other Income, Net.** Other income, net of \$119,805 represented bank interest income, net of capital lease interest expense for the nine -month period ended September 30, 2023, an increase of \$962 (or approximately 1%) as compared to the same period in 2022.

**Net Income (Loss).** Net loss was \$3,015,360 for the nine-month period ended September 30, 2023, compared to a net income of \$12,749,228 in the same period in 2022.

### Net Income Per Share

For the nine months ended September 30, 2023, net loss per share was \$0.29 compared to an income of \$1.22 in the period ending September 30, 2022. There were 10,431,924 shares outstanding compared to 10,471,924 shares.

### Foreign Currency Translation Adjustment

For the nine months ending September 30, 2023, the Company had a negative foreign currency translation adjustment of \$7,879,513 versus a positive adjustment of \$30,774,686 in the previous year. This adjustment impacts all balance sheet translations into U.S. dollars.

As of September 30, 2023, cash and cash equivalents were \$103,774,977 as compared to \$108,226,214 as of December 31, 2022. The components of this decrease of \$4,451,237 are reflected below.

## Statement of Cash Flows

	Nine-Month Period Ended September 30,	
	2023	2022
Net cash (used in) provided by operating activities	\$ 9,869,612	\$ 37,101,024
Net cash used in investing activities	(15,197,648)	(33,217,987)
Net cash used in financing activities	(267,810)	(283,915)
Effects of exchange rate changes on cash and cash equivalents	1,144,609	(6,728,107)
Net decrease in cash and cash equivalents	<u>\$ (4,451,237)</u>	<u>\$ (3,128,985)</u>

For the nine-month period ended September 30, 2023, we met our working capital and capital investment requirements by using cash on hand.

### Net Cash (used in) Provided by Operating Activities

During the nine-month period ended September 30, 2023, cash flow provided by operating activities of approximately \$9.9 million was mainly due to a net loss of \$3.02 million, a decrease in accounts receivable of \$3.13 million, an increase in accounts payable of \$1.5 million, an increase in deferred taxes of \$1.0 million, and a non-cash adjustment related to depreciation and amortization of property, plant and equipment of \$15.4 million, offset by increases in operating leases, and prepayments.

During the nine-month period ended September 30, 2022, cash flow provided by operating activities of approximately \$37 million was mainly due to a net income of \$12.75 million, a decrease in accounts receivable of \$3.45 million, an increase in accounts payable of \$1.55 million, an decrease in deferred taxes of \$3.8 million, and a non-cash adjustment related to depreciation and amortization of property, plant and equipment of \$16.3 million, offset by increases in operating leases, and prepayments.

### Accounts receivable

Cash collections on our accounts receivable had a major impact on our overall liquidity. The following table presents the aging analysis of our accounts receivable as of September 30, 2023 and December 31, 2022.

	September 30, 2023		December 31, 2022	
		% of total		% of total
Aged 1-30 days	\$ 2,149,608	99.9%	\$ 2,792,156	52%
Aged 31-60 days	510	0.1%	2,571,010	48%
Aged 61-90 days	—	—	—	—
Aged 91-120 days	—	—	—	—
Aged 121-150 days	—	—	—	—
Aged 151-180 days	—	—	—	—
Aged 181-210 days	—	—	—	—
Aged 211-240 days	—	—	—	—
Total	<u>\$ 2,150,118</u>	<u>100%</u>	<u>\$ 5,363,166</u>	<u>100%</u>

The overall accounts receivable balance as of September 30, 2023 decreased by \$3,213,048, as compared to those of December 31, 2022. We have policies in place to ensure that sales are made to customers with an appropriate credit history. We perform ongoing credit evaluation on the financial condition of our customers. No allowance for doubtful accounts for the three-month and nine-month periods ended September 30, 2023 is required.

### Inventory

Our inventory consists of the following:

	September 30, 2023		December 31, 2022	
		% of total		% of total
Raw materials	\$ 30,413	4%	\$ 26,192	2%
Finished goods	844,407	96%	1,572,380	98%
Total	<u>\$ 874,820</u>	<u>100%</u>	<u>\$ 1,598,572</u>	<u>100%</u>

The net inventory level as of September 30, 2023 decreased by \$723,752, as compared to the net inventory level as of December 31, 2022.

Raw materials increased by \$4,221 as of September 30, 2023 as compared to December 31, 2022.

Our finished goods decreased by \$727,973 as of September 30, 2023 as compared to December 31, 2022.

### Net Cash Used in Investing Activities

For the nine-month period ended September 30, 2023, we used approximately \$15.2 million to the flood prevention project aiming to prevent flooding that could harm the wells, aqueducts and crude salt pans at our plant.

For the nine-month period ended September 30, 2022, we used approximately \$33.2 million to acquire property, plant and equipment, which mainly includes the cost for bromine wells, aqueducts and the installation of high and low voltage lines for bromine Wells.

### Net Cash Used in Financing Activities

For the nine-month period ended September 30, 2023 and 2022, we used \$0.3 million to repay finance lease obligations.

We believe that our available funds and cash flows generated from operations will be sufficient to meet our anticipated ongoing operating needs and our obligations as they fall due in the next twelve (12) months.

We had available cash of approximately \$103.77 million at September 30, 2023, all of which is in highly liquid current deposits earning no or little interest.

We do not anticipate paying cash dividends in the foreseeable future.

We intend to continue to focus our efforts on the activities of SCHC, SYCI, SHSI and DCHC as these segments continue to expand within the Chinese market.

We may not be able to identify, successfully integrate or profitably manage any businesses or business segment we may acquire, or any expansion of our business. An expansion may involve a number of risks, including possible adverse effects on our operating results, diversion of management's attention, inability to retain key personnel, risks associated with unanticipated events, risks associated with the COVID-19 pandemic and the financial statement effect of potential impairment of acquired intangible assets, any of which could have a materially adverse effect on our condition and results of operations. In addition, if competition for acquisition candidates or operations were to increase, the cost of acquiring businesses could increase materially. We may effect an acquisition with a target business which may be financially unstable, under-managed, or in its early stages of development or growth. Our inability to implement and manage our expansion strategy successfully may have a material adverse effect on our business and future prospects.

### **Contractual Obligations and Commitments**

We have no significant contractual obligations not fully recorded on our consolidated balance sheets or fully disclosed in the notes to our consolidated financial statements. Additional information regarding our contractual obligations and commitments at September 30, 2023 is provided in the notes to our consolidated financial statements. See "Notes to Condensed Consolidated Financial Statements, Note 17 – Capital Commitment and Operating Lease Commitments".

### **Material Off-Balance Sheet Arrangements**

We do not currently have any off balance sheet arrangements falling within the definition of Item 303(a) of Regulation S-K.

### **Critical Accounting Policies and Estimates**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and this requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We base its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions. We have identified the following critical accounting policies and estimates used by us in the preparation of our financial statements: accounts receivable and allowance for doubtful accounts, leases, property, plant and equipment, recoverability of long lived assets, revenue recognition, income taxes, loss contingencies, and stock-based compensation. These policies and estimates are described in the Company's 2022 Form 10-K.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined by Rule 229.10(f)(1).

### **Item 4. Controls and Procedures**

#### **(a) Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and related forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Form 10-Q.

#### **(b) Changes in internal controls**

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

On or about August 3, 2018, written decisions of administration penalty captioned Shou Guo Tu Zi Fa Gao Zi [2018] No. 291, Shou Guo Tu Zi Fa Gao Zi [2018] No. 292, Shou Guo Tu Zi Fa Gao Zi [2018] No. 293, Shou Guo Tu Zi Fa Gao Zi [2018] No. 294, Shou Guo Tu Zi Fa Gao Zi [2018] No. 295 and Shou Guo Tu Zi Fa Gao Zi [2018] No. 296 (together, the "Written Decisions") were served on Shouguang City Haoyuan Chemical Company Limited ("SCHC") by Shouguang City Natural Resources and Planning Bureau (the "Bureau"), naming SCHC as respondent respectively thereof. The Decisions challenged the land use of Factory nos. 2, 9, 7, 4, 8 and 10, respectively, and alleged, among other things, that SCHC had illegally occupied and used the land in the total area of approximately 52,674 square meters, on which Factory nos. 2, 9, 7, 4, 8 and 10 were built, respectively. The Written Decisions ordered SCHC, among other things, to return the land subject to the Written Decisions to its respective legal owner, restore the land to its original state, and demolish or confiscate all the buildings and facilities thereon and pay monetary penalty of approximately RMB 1.3 million (\$184,000) in the aggregate. Each of the Written Decisions shall be executed within 15 days upon serving on SCHC. Additional interest penalty shall be imposed at a daily rate of 3% in the event that SCHC does not make the monetary penalty payment in a timely manner. Subsequently, the Bureau filed enforcement actions to the People's Court of Shouguang City, Shandong Province (the "Court"), naming SCHC as enforcement respondent and alleged, among other things, that SCHC failed to perform its obligations under each of the Written Decisions within the specified timeframe. The enforcement proceedings sought court orders to enforce the Written Decisions. On May 5, 2019, written decisions of administrative ruling captioned (2019) Lu 0783 Xing Shen No. 384, (2019) Lu 0783 Xing Shen No. 385, (2019) Lu 0783 Xing Shen No. 389, (2019) Lu 0783 Xing Shen No. 390, (2019) Lu 0783 Xing Shen No. 393, and (2019) Lu 0783 Xing Shen No. 394, respectively (together, the "Court Rulings") were made by the Court in favor of the Bureau. The Court orders, among other relief, to enforce each of the Written Decisions, to return each subject land to its legal owner and demolish or confiscate the buildings and facilities thereon and restore the land to its original state within 10 days from the service of the Court Rulings on SCHC. The Court Rulings became enforceable

immediately upon service on SCHC on May 5, 2019.

In the last twenty years, to the Company's knowledge, there were no government regulations requiring bromine manufacturers to obtain land use and planning approval document. As such, the Company believes most of the bromine manufacturers in Shouguang City do not have land use and planning approval documents and lease their land parcels from the village associations. They are facing the same issues in connection with land use and planning as the Company.

The Company is in the process of resolving the issues in connection with SCHC's land use and planning diligently. The Company has been in discussions regularly with the local government authorities with the help from Shouguang City Bromine Association to seek reliefs and, based on verbal confirmation by local government authorities, believes the administrative penalties imposed by the Bureau according to the Written Decisions are being re-assessed by local government authorities and may be revoked. Pursuant to a Written Application dated October 28, 2019 addressed to the Court by the Bureau, the Bureau withdrew its application for the enforcement proceedings regarding the administrative penalty imposed on Factory No. 7, Factory No. 8 and Factory No.10. Pursuant to a written decisions of administrative ruling captioned (2019) Lu 0783 Xing Shen No. 389 Zhi Yi, dated November 25, 2020, the Court orders to terminate the enforcement of the case captioned (2019) Lu 0783 Xing Shen No. 389. Production of Factory No. 7 was allowed to resume in April 2019. The Company received a notification from the Shouguang City Government in February 2019 informing the Company that Factory No. 1, No.4, No. 7 and No. 9 have passed inspection and were approved to resume operation.

In addition, on August 28, 2019, the People's Government of Shandong Province, issued a regulation titled "Investment Project Management Requirements of Chemical Companies in Shandong Province" permitting the construction of facilities on existing sites or infrastructure of bromine manufacturing and other chemical industry-related types of projects (clause 11 of section 3). The Company believes that the goal of the government is to standardize and regulate the industry and not to demolish the facilities or penalize the manufacturers. As of the date of this report, the Company has not been notified by the local government that it will take any measure to enforce the administrative penalties. Based on information known to date, the Company believes that it is remote that the Written Decisions or Court Rulings will be enforced within the expected timeframe and a material penalty or costs and expenses against the Company will result. However, there can be no assurance that there will not be any further enforcement action, the occurrence of which may result in further liabilities, penalties and operational disruption.

#### Item 1A. Risk Factors

This information has been omitted based on the Company's status as a smaller reporting company.

#### Item 2. Unregistered Sale of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

None.

#### Item 3. Defaults Upon Senior Securities

None.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

During our fiscal quarter ended September 30, 2023, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as those terms are defined in Item 408(a) of Regulation S-K.

#### Item 6. Exhibits

Exhibit No.	Description
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	The following financial statements from Gulf Resources, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations and Other Comprehensive Income (Loss); (iii) the Consolidated Statements of Changes in Equity; (iv) the Consolidated Statement of Cash Flows; and, (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GULF RESOURCES, INC.

Dated: November 20, 2023

By: /s/ Xiaobin Liu

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Xiaobin Liu  
Chief Executive Officer  
(principal executive officer)

Dated: November 20, 2023

By: /s/ Min Li  
Min Li  
Chief Financial Officer  
(principal financial and accounting officer)

**Certification of Chief Executive Officer  
Pursuant to Rule 13A-14(A)/15D-14(A)  
of the Securities Exchange Act of 1934**

I, Xiaobin Liu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of Gulf Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - c. evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

By: /s/ Xiaobin Liu  
Xiaobin Liu  
Chief Executive Officer

Dated: November 20, 2023



**Certification of Chief Financial Officer  
Pursuant to Rule 13A-14(A)/15D-14(A)  
of the Securities Exchange Act of 1934**

I, Min Li, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of Gulf Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - c. evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

By: /s/ Min Li  
Min Li  
Chief Financial Officer

Dated: November 20, 2023

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350 AND EXCHANGE ACT RULES 13a-14(b) AND 15d-14(b)  
(Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of Gulf Resources, Inc. on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of the operation of the Company.

Dated: November 20, 2023

By: /s/ Xiaobin Liu  
Xiaobin Liu  
Chief Executive Officer

Dated: November 20, 2023

By: /s/ Min Li  
Min Li  
Chief Financial Officer