

## **CIMBAR RESOURCES, INC**

### **FTZ Project Background**

In September 2020, Cimbar Resources Inc. (“Cimbar”) acquired a manufacturing facility from Baker Hughes located at 322 Manning Road, Corpus Christi, TX, that had previously been operated as a Foreign-Trade Zone subzone (FTZ#122Q) since 2008. Prior to the sale, Baker Hughes deactivated the FTZ status at the facility and subzone designation was ultimately terminated by the U.S. FTZ Board on April 6, 2021.

Cimbar now seeks to reinstate subzone status for the facility and is preparing a request for designation to the U.S. Foreign-Trade Zones Board. In order to avail itself of the federally granted exemption for ad valorem tax on tangible personal property, (i.e., inventory tax), available through the FTZ Act, the application requires that Cimbar submit letters of support/non-objection from the local impacted tax parties.

At the time of the acquisition, the plant was not operational, and had only one employee on site. Since the acquisition, employment has increased and the Cimbar plant now provides full-time employment with benefits to a total of 12 employees including paying 100% of employee only medical coverage and optional coverages for dental, vision, life insurance, STD, LTD & critical care. Total current payroll, including payroll taxes and benefits was approximately \$887,057 in 2022 and is estimated to be approximately \$1,023,768 for 2023. Production operations at the plant have increased from zero tons of ground barium sulfate at the time of acquisition to an average of 8,000 to 10,000 tons per month currently. Cimbar is currently planning to spend \$1.5M-\$2M over the next 24-36 months to repair and/or replace equipment if current sales volumes continue. Cimbar has spent approximately \$1.2M since taking over the facility for much needed maintenance & repairs of production equipment. In 2022, Cimbar paid \$60K for Texas franchise tax for 5 Texas operating plants and \$20K for sales and use tax on taxable purchases at the Manning Road facility.

Cimbar operates in a competitive industry and faces pressures from imported finished goods primarily manufactured in Mexico. Exports from Mexico of competing finished product into the region have continued to rise year over year impacting demand from Cimbar and negatively impacting production requirements. In 2022 alone, 88% of Mexican production was shipped to the U.S., primarily via rail and truck to south and west Texas. Imports in 2023 are on the rise and are destined to set a new high representing nearly a 40% increase over the previous year. The attached charts illustrate the overall trends and aggressive growth in this market from foreign competition from Mexico. (See attached exhibit)

Cimbar’s ability to defer duty payment on imported raw materials and manufacture goods under FTZ procedures to take advantage of an inverted tariff benefit on the finished products assists Cimbar in maintaining its competitiveness and supports manufacturing in the U.S. The additional ability to leverage the federally provided exemption from ad valorem tax on tangible personal property would further support Cimbar’s competitiveness and future viability of Cimbar’s operations at the site.

Additionally, the plant utilizes significant ancillary goods and services providers in the area such Port Corpus Terminal Inc., R.W. Smith, Oil Patch and Petroleum Inc., Purvis Industrial Bearings, and Tyr Energy Logistics to name a few, topping over \$1.8 million in expenditures so far this year and resulting in additional benefit to the local economy. Additionally, the material produced at the site supports vital business needs of the local and regional oil and gas industry providing supplies to such companies as Dynamic Drilling Fluids, Universal Fluid Services LLC, and Nova Mud, Inc. which also contributes to the local economy.

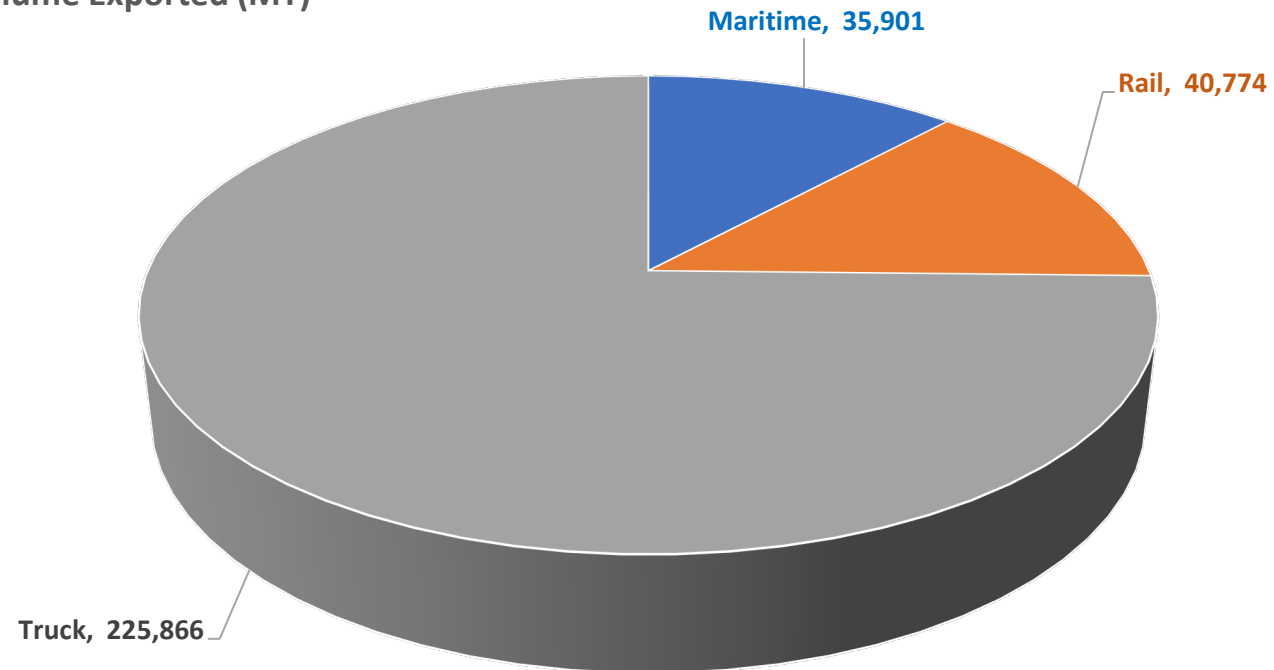
Given the positive economic impact and spin-off employment benefits to the local area from Cimbar's continued operation of the Corpus Christi plant, Cimbar respectfully requests that the local impacted tax parties provide the required letters of non-objection to support Cimbar's application for FTZ designation.



# Mexico Exports Spotlight

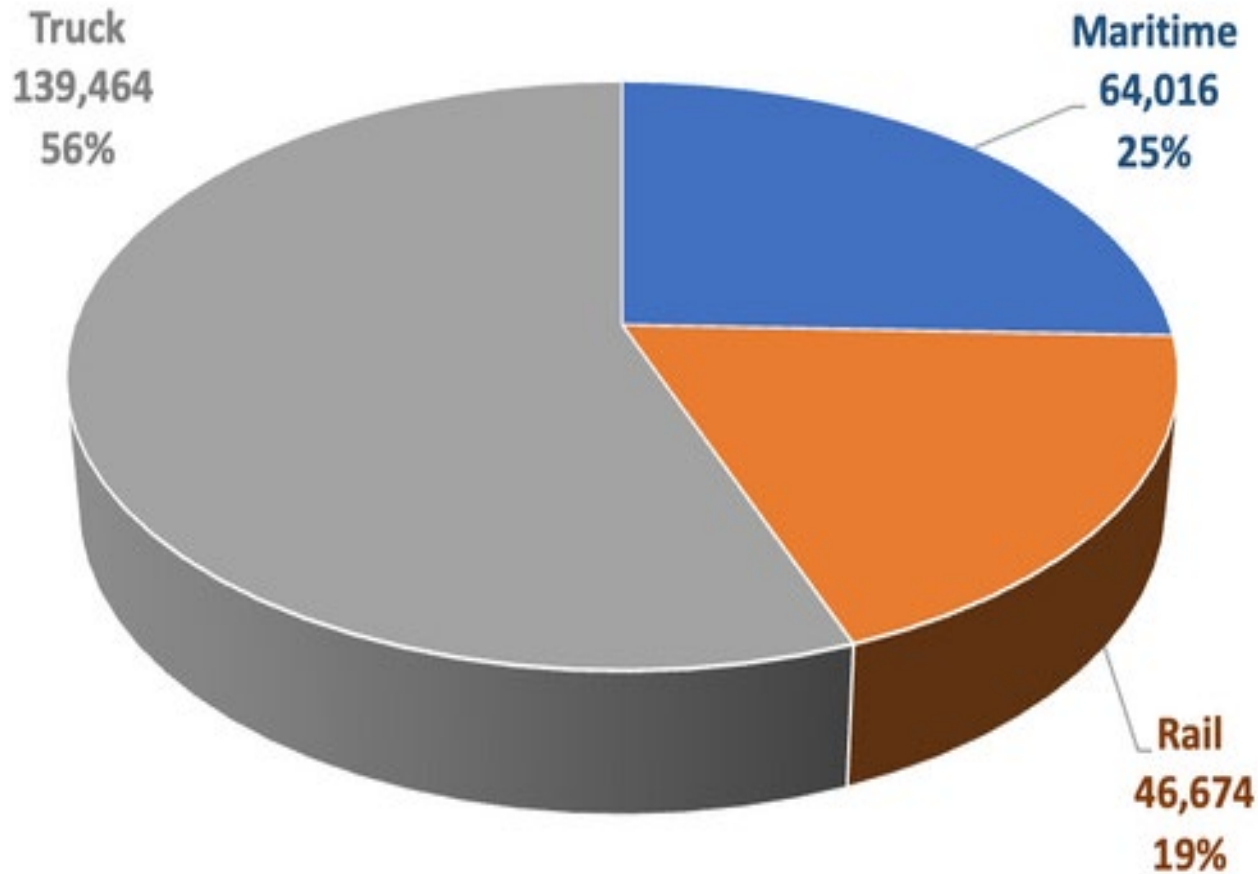
- **302,540 MT in 2022**
- 88% to USA
- Truck and Rail to South & West Texas
- Maritime to US GoM

Volume Exported (MT)



Source: Mexico Customs Data

## Mexico Barytes Exports to US JAN-JUL 2023



Mexico's significance continues to grow  
January to July YTD Exports 250,154 MT  
On pace to set a new high of - 428,836 MT

Up 126,296 MT YOY (40%)

Maritime	64,016
Rail Truck	46,674
Truck	139,464
TOTAL YTD	250,154
Annualized	428,836

Source: Mexican Customs

