



27 July 2009

Iofina plc
(“Iofina” or “the Company”)

**Acquisition of Iodine Derivatives Company H&S Chemical
and Iodine Production Operations Update**

The directors of Iofina are pleased to announce the acquisition of H&S Chemical Company (“H&S Chemical”) together with an update on iodine production operations. The acquisition, which follows the Company’s successful placing in February 2009, gives the Group a strategic platform with complete vertical integration into iodine derivatives and a particular strength in the higher margin organic iodine derivatives markets.

Highlights of H&S acquisition

- Purchase price of \$8.5 million comprising \$7.5 million in cash and 736,314 new ordinary shares in the Company
- Manufacturer and patent holder of unique manufacturing process of specialty chemicals principally using iodine for:
 - o 3-Iodo-2-propynyl butyl carbamate (IPBC) which is used in cosmetics, paints and coatings
 - o Methyl Iodide (CH₃I), the new U.S. EPA (Environmental Protection Agency) approved soil fumigant which is replacing the use of Methyl Bromide (CH₃Br) in order to reduce global ozone depletion as mandated by countries adhering to the Montreal Convention. Methyl Iodide is used for high value crops such as strawberries, tomatoes and peppers. Before the mandated ban of Methyl Bromide began, 38 million pounds of active ingredient (A.I.) was used for high value cash crops per annum.
 - o A world leader in high end specialty gases (C₄F₆ and Methyl Fluoride) used in the etching production process of high end micro chips by leading computer and chip companies.
 - o Holder of multiple patents and pending patent applications and US EPA registrations.
- Provides Iofina with a strong strategic platform to produce and sell iodine derivatives utilizing its own and third party iodine production for complete vertical integration.

Iodine Production Operations Update

- Continuous commercial production of iodine has recently commenced
- The Company has also completed its first infield self contained POD/Cluster WET® unit
- Revised drilling and production program for 2009, focusing on areas with the highest levels of iodine present
- Pursuing opportunities to deploy the iodine-extraction technology to take advantage of third-party iodine rich brine sources elsewhere in the U.S. to generate incremental revenues at a lower cost
- Management anticipate that the combination of the new production programme, together with the expected third party iodine extraction agreements, should result in higher iodine production volumes at a lower aggregate unit cost from 2010 and beyond

Since the launch of Iofina on AIM in May 2008 significant events have occurred, namely:

- Advance participation in the higher margin iodine derivatives market, this includes the H&S Chemical acquisition
- Purchase of 230,000 acres of additional acreage and associated wells
- Accelerating entry into the third party brine market for production of iodine

Dr. Chris Fay CBE, Non-Executive Chairman commented:

“The Company continues to make significant progress and has been able to take advantage of some strong growth opportunities. The iodine derivatives market is an area in which our management team has significant expertise and strength. The acquisition of H&S Chemical will provide Iofina with a strategic position in the US where the large domestic blue chip end users of iodine derivatives currently rely heavily on imports from Chile and Japan. Furthermore, with the recent acquisition of significant new acreage our iodine production programme is now focused on areas where iodine is present in higher levels which we believe will accelerate our scale-up of iodine production and our goal of becoming one of the few major iodine suppliers globally.”

Iodine Operations Update

The initial wells drilled have recently commenced continuous commercial iodine production. Flow levels are remaining consistent while “dewatering” with increased natural gas production is present.

The Company has also completed its first in field POD/Cluster WET® unit that is mounted in a standard insulated trailer that can be rapidly deployed to locations using an articulated truck. The final self

contained WET® unit is paramount in extracting third party brine streams in a rapid manner that has not been previously available in the iodine industry.

The additional 230,000 acres and associated wells purchased and announced in May 2009 contain iodine levels which vary between 50 – 70 ppm, higher than levels currently being seen in the previous wells drilled by the Company. This has prompted a review by Iofina of its 2009 drilling and production programs.

Brine production from some of the acquired wells will be directed to the Company's permanent facilities to allow iodine to be processed on a continuous basis. The first well has already been tied back to the production facility. A production programme incorporating 6 separate clusters of 5-7 wells each and a truck mounted pod WET® units has been adopted for the newly acquired acreage. All wells will be located close to the existing gas pipeline infrastructure to ensure appropriate gas sales.

Each cluster will involve some existing completed wells which formed part of the recent purchase and some newly drilled wells including either an injection well at each cluster or a brine line to injection locations. Obtaining permit approvals on a timely basis is deemed to be the main constraint to this initial program. Enclosed trailers have been purchased for the pods and the WET® fabrication of these has commenced to build inventory for deployment.

Third Party Brine Market

With the current low gas prices being experienced by gas production operators the opportunity to bring additional value to these operations principally in Oklahoma and California by extracting iodine from the waste brine streams has brought forward a number of opportunities to deploy Iofina's mobile WET®pod units. The directors believe that this will be a very cost effective strategy for Iofina and negotiations are occurring on a number of fronts which, if successful, will add significant iodine volumes to Iofina's production with limited operational involvement for Iofina.

The directors believe that the change in strategy outlined above should result in higher iodine production volumes in 2010 and beyond, and at a lower aggregate unit cost of production, with clear positive implications on profitability.

The iodine market remains firm with pricing in the low \$30's per kilogram.

Further details on acquisition of H & S Chemical

Following the successful raise of £5 million in February 2009, Iofina is pleased to announce the acquisition of the entire issued share capital of H & S Chemical for an aggregate consideration of \$8,500,000 comprising \$7,500,000 in cash and 736,314 new ordinary shares in the Company ("Consideration Shares"). This acquisition provides Iofina a strong platform from which to produce and sell iodine derivatives utilising its own and third party brine iodine production.

The acquisition brings a number of immediate benefits:

- Immediate vertical integration into the \$2.5-3bn pa iodine derivatives market.
- Production capabilities for a wide range of specialties as well as substantial patents for unique manufacturing processes.
- Substantial in-house expertise and technical know-how to compliment Iofina's own experience and the ability to expand into new specialty chemicals.
- A strong strategic platform from which to produce and sell iodine derivatives to an existing client base of large US blue chip and international companies that are currently highly dependent on importing from Chile and Japan
- A guaranteed outlet for both Iofina's own, as well as third party, iodine production opening up the potential for strategic partnerships.
- The ability to accelerate Iofina's net margins given the higher margin characteristics of iodine derivatives.

Products that currently can be manufactured include an array of organic and inorganic specialties including:

Potassium Iodide (KI), Potassium Iodate (KIO₃), Sodium Iodide (NaI), Sodium Iodate (NaIO₃), Periodic Acid (H₅IO₆), Potassium Metaperiodate (KIO₄), Sodium Metaperiodate (NaIO₄), Calcium Iodate (CaI₂O₆), Iodopropane (C₃H₇I), Iodobutane (C₄H₉I), Iodine Monochloride aqueous solution (ICI) Hydriodic acid (HI), 3-Iodo-2-propynyl butyl carbamate (IPBC), Cuprous Iodide (CuI), Methyl Iodide (CH₃I), and Ethyl Iodide (C₂H₅I), Lithium Iodide (LiI), Methylene Iodide (CH₂I₂), Sodium Iodide (NaI) and other inorganic salt iodides, Methyl Fluoride (CH₃F), Hexafluoride Butadiene (C₄F₆), Trichloromelamine, Chloramine-T (and other sulfonamide derivatives), and Lampricide (EPA approved).

The Board considers that the acquisition of H&S Chemical will augment Iofina's existing expertise in iodine derivatives and will enable Iofina to continue to expand the specialty chemicals that it produces. The Group will change the business name of H&S Chemical Company to Iofina Chemical over a period of time.

Application has been made to the London Stock Exchange for the Consideration Shares to be admitted to trading on AIM ("Admission"). It is expected that Admission will become effective and that trading will commence on 27 July 2009.

The Consideration Shares represent 0.71 per cent of the then enlarged issued share capital of the Company immediately following Admission. Following the admission of the Consideration Shares to trading on AIM, the Company will have 103,642,428 ordinary shares in issue. The Consideration Shares will rank *pari passu* in all respects with the existing ordinary shares.

The vendor of H&S Chemical has undertaken to the Company and Mirabaud Securities LLP (“Mirabaud”), the Company’s broker, that, except in certain limited circumstances, it will only dispose of the Consideration Shares in accordance with the terms of a lock-in agreement which permits disposal of such shares in specified tranches on an orderly basis over a period from Admission to the date falling 180 days after Admission. Furthermore, the vendor has undertaken that any disposal will be made only through Mirabaud or the Company’s brokers at the time.

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