Technology Leaders In Iodine®

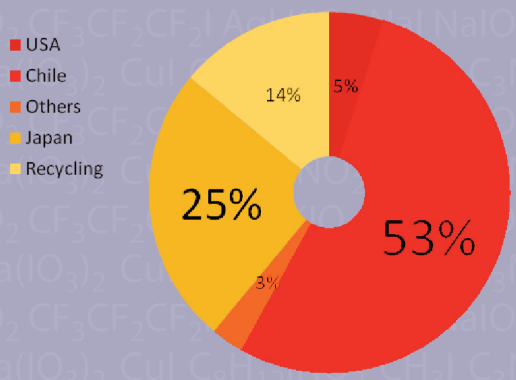
IOFINA plc

Annual Report & Accounts 2009

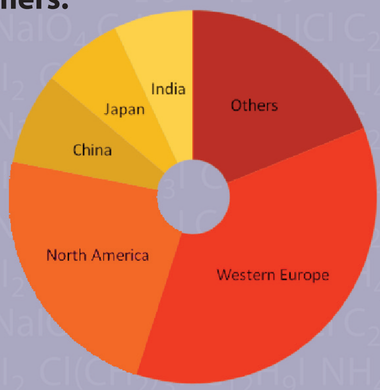
The Iodine Market – Growth Potential

2009 Total Iodine Demand Worldwide – 25,500 MT

Producers:



Consumers:



Global iodine supply is dominated by Japan and Chile. The United States only accounts for 5% of the world's iodine production. In 2009, the United States imported 5,600 MTs of iodine to be used to produce iodine derivatives. Between 2005 and 2008, it is estimated that 80% of iodine imports to the United States came from Chile and 19% came from Japan. Demand for iodine is expected to increase at a rate of 3.5-4% a year over the next decade as demand increases for the production of biocides, iodine salts, liquid crystal displays (LCD), synthetic fabric treatments, and x-ray contrast media. With such a high dependency on imports for iodine, the United States presents an ideal opportunity for domestic iodine producers.

Source: USGS

In the USA, which only accounts for 5% of global production, three producers of crude iodine, all operating in Oklahoma, supply about 28 per cent. of domestic demand, with the remainder having to be imported.

The iodine derivatives market is estimated to be £1.52-1.83 billion per annum.

The USGS estimates a total of 15,000,000 MT iodine reserves worldwide and 250,000 MT iodine reserves in the United States.

Oil and gas producers in the United States pump over 21 billion barrels of brine per year.

Source: John Veil, Argonne National Laboratory

Iofina's WET® Technology

Other processes require large volumes of acid and bases to maintain proper pH levels which are costly in terms of both capital cost and operating cost. Iofina's unique methodology allows the incoming brine stream to be pre-treated at near neutral pH levels for effective extraction simplifying the production process, reducing the production cost and reducing the process hazards at the extraction site.

Contents

IOFINA PLC

COMPANY INFORMATION

Directors	L J Baller F D Dorn J P Ploen CE Fay, CBE, Ph.D PS Chase-Gardener
Secretary	L J Baller
Company number	05393357
Registered office	82 St. John Street London EC1M 4JN
Auditor	Grant Thornton UK LLP 1 Westminster Way Oxford OX2 0PZ
Nominated Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Broker	Mirabaud Securities Limited 21 St James's Square London SW1Y 4JP
Solicitors	Osborne Clarke One London Wall London EC2Y 5EB
Registrar	Capita Registrars 34 Beckenham Kent BR3 4TU

The directors submit to the members their report and accounts of the group for the year ended 31 December 2009. Pages 4 to 22, including the chairman's statement, financial review, directors' report, social responsibility statement and corporate governance statement, form part of the Report of the Directors.

CHAIRMAN'S STATEMENT

Introduction

We are pleased to report that 2009 was a year of great change for the Company. Iofina transformed from a pure exploration play into a midstream production company with complete vertical integration into iodine chemical derivatives. The first half of 2009 was a period of rapid development, in terms of both the assets and financial resources of the Group. In February 2009, despite challenging markets, the Company raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each at a price of 55p per share, representing a 12% premium to the previous day's closing price, to establish Iofina Chemical's entry into the iodine derivatives market. Following the successful raise, the Company completed the acquisition of the entire issued share capital of H&S Chemical in July 2009 for an aggregate consideration of £5,668,305 ($8,500,000 USD). The acquisition enabled the Company to gain access to chemists and engineers with extensive iodine experience and to solely own the WET® patents which are fundamental to the business. The acquisition also provided Iofina with a strong platform from which to produce and sell iodine derivatives utilising its own and third party brine iodine production. Additionally, this move enhanced Iofina's 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.

Additionally, in May 2009 the Company acquired a further c.230,000 net acres at the Atlantis prospect, which, alongside the existing 60,000 acres, takes total leased acreage in the Atlantis prospect to 290,000 acres representing a 10 fold increase on the initial 28,000 acreage held at IPO in May 2008. The acquisition also included 17 shut-in wells which helped move the Company into initial natural gas production late in the first half of 2009 with continuous iodine production commencing at the end of July.

Operational Update

As stated previously, in my experience within the industry, as with many companies that move from exploration into production, the successes are almost invariably accompanied by varying degrees of frustration. As I look back at Iofina's developmental progress since the IPO over two years ago, we have had a similar experience. In our case, the frustrations, both for the management and investors, have been primarily manifested in delays in bringing on the production of iodine. Over the past year, we identified a variety of issues including delays due to weather; delays on the construction of the Iodine stripping building and facilities; delays on the execution of the full delivery of the WET® iodine extraction technology utilizing mobile POD units on third party brine streams and management leadership issues.

Management and Leadership
The Board of Directors took steps throughout the year to strengthen the management of Iofina. Forest D. Dorn was appointed new CEO and President of Iofina Natural Gas, Inc. in August 2009.

Given his thirty years of experience in developing and managing exploration and drilling programs in the US and offshore, he has already proved to be a highly valuable asset to Iofina. He and his team have played, and will continue to play, an important role in the planning and execution of the developments at the Atlantis prospect as well as Iofina's third party or mid stream business. Since his appointment, the Company has implemented a number of new strategies using seismic data, systematic well locations, strategic planning and well completion strategies for optimizing producing wells. Additionally, engineering reviews have been conducted on the WET® units and at the expanded Iodine Extraction Plant. The third party business has progressed materially over the past six months resulting in four units that will be placed into service during 2010 along with more contracts under negotiation.

Subsequent to the year end, in March 2010, we announced that Lance Baller, formally Finance Director of the Group, had been appointed as CEO of the Group in place of David Schneider, with immediate effect. The management change was made to strengthen the overall leadership of the Group and to instil a number of practices that has already resulted in substantially improved information flow, stronger financial budgeting, and better inventory management at Iofina Chemical and more direct deal negotiations, as demonstrated by a number of recent third party agreements. The Company has recently delivered a number of meaningful successes, many of which I believe put the Company in a far stronger position than was expected early this year.

In March 2010 it was also announced that Dr Tom Becker had been appointed as President of Iofina Chemical Inc. Dr. Becker was the former vice president of Research and Development at H&S/Iofina Chemical. Dr. Becker has written a magnitude of published technical papers in his career. Prior to his time at H&S Dr. Becker worked as an Oak Ridge Scholar on behalf of the US EPA and worked for various other chemical manufacturing companies. Dr. Becker has extensive experience in the scale-up of chemical processes from laboratory to pilot to full scale production and is the inventor on several chemical patents/patent applications including the initial WET® patent. Dr. Becker has a chemical research and development background along with a strong business mindset. Iofina Chemical is playing a key role in the implementation of the mid-stream deployment of the WET® units to operators, as well as in the collection and extraction of iodine in Atlantis and from the WET® units.

As the Company's focus now transitions from one of exploration and technology development towards production, contract negotiations and cash generation, the Board believes that the management structures are now firmly in place across Iofina Natural Gas, Iofina Chemical and Iofina plc to drive financial growth and shareholder value. We are nearing the end of our interview process for a new appointment to the role of Finance Director.

Natural Gas and Iodine Production Review

Atlantis Development

In early 2009 we announced the first well to be perforated had demonstrated several encouraging characteristics including higher than anticipated flow rates of brine versus the CPR assumptions, high gas pressure and good gas content. This was the first well to be tied-in. Initial commercial gas production from the first well started in May 2009 and in late July Iofina announced that it had commenced continuous commercial iodine production. Phase 1 of the development of Atlantis began in August 2009, given the success of the initial well. Six new drill wells, together with five shut-in wells from the May 2009 acquisition, have also now been tied-in. As a result of the Phase I drilling and the interdependency issues discussed in prior announcements, the wells were shut in. The drilling and re-completion program of the 11 wells described above commenced production in February 2010. The upgrading of the Iodine extraction and stripping facility to process up to 30,000 barrels of water per day was completed in the fourth quarter of 2009. Also included in the development plan was a thirteen mile brine gather line system and three centralized production facilities. Two additional water injection wells were included allowing our brine and iodine extraction facility the capability to handle up to 30,000 bwpd. Current production is +7,000 bwpd from 8 wells. It was estimated that this drilling program would yield +20,000 bwpd and would be fully online in the fourth quarter of 2009. However, several operational and reservoir issues contributed to this under performance. First, we experienced several weather related delays due to extreme low temperatures with the mean low temperature for December and January being -30 C. This resulted in delays and increased capital costs. There were also operational issues we encountered with the gas lift system as a result of the interrelated relationship of our operation.

To ensure these operational problems were no longer encountered several key advancements are currently being undertaken to optimize the brine gathering system, including:

- Installing a water holding tank, downstream of the separator, to remove gas from the brine stream;
- Continuing to optimize our gas lift systems by adjusting injection pressures and volumes;
- Installing back up sources for fuel which include electrical and propane;
- Mounting electronic level controls in the separators to more precisely control the separation process;
- Adjusting our plc controls for current operating conditions; and
- Fitting gas vents in the brine line to minimize gas lock.

Once these advancements have been implemented, we will then bring the additional four wells on line to bring all the wells from Phase I fully into operation. With further fine tuning of the overall system we also expect to be able to increase brine production from the existing eight wells to levels significantly above the +7,000 bwpd level. The wells are currently capable of producing 1,500 bwpd on an individual well basis but when combined the production declines. Our challenge is to fine tune the total system in order to produce collectively at the full potential of each well. These changes will increase current iodine production from 1.5 metric tones of iodine per month to between 1.9 and 2.2 metric tones per month prior to the addition of the other wells in the Atlantis. Currently, development plans are underway for Phase II of development of Atlantis. The economic parameters which include well performance (water production and de-watering results), operating costs and commodity pricing will determine the timing of commencement of the next phase of development at Atlantis.

Fresno Reservoir Water Permit

Another significant factor that will impact the timing and economics of further development at Atlantis was announced in May of 2010 when the Montana Department of Environmental Quality issued a Montana Pollutant Discharge Elimination System (MPDES) to Iofina for the discharge water after treatment into the Fresno Reservoir located 1.5 miles east of the Iofina Wall Corner brine line pump station. This will allow Iofina, utilizing the latest technology, to develop a process that will convert the current brine stream into a fresh water stream for beneficial commercial use and a concentrated iodine rich brine stream from which we will process iodine through our existing facilities. The result will increase the amount of iodine per barrel delivered into our system, effectively increasing the capacity of the pipeline and extraction plant. Additionally we should realize a reduction in operating expenditure. Crucially we will also be creating a new source of potable water into the Fresno Reservoir, where there is a severe lack of water available. Iofina's technical staff is currently designing the scope of a feasibility study. This will include large scale testing to optimally design a water treatment facility utilising reverse osmosis.

Mid Stream Iodine Collection and Extraction

During the period the Company also completed its first in field POD/Cluster WET® unit mounted in a standard insulated trailer that can be rapidly deployed to locations using an articulated truck. These self contained WET® units are key to our ability to extract third party brine streams in a rapid and highly cost effective manner that has not previously been available in the iodine industry. With the success of the initial deployment Iofina commenced building five more WET® units. Simultaneously Iofina began to pursue testing and discussions with producers of iodine rich brine streams in the United States. The goal is to install WET® units on the location of other oil and gas operators where Iofina would own and operate these units and extract value from existing waste streams.

To date we are encouraged by industry response. Three contracts have been signed and announced to the market and the WET® units have been installed, or are about to be installed, in both California and Oklahoma. Due to the expected level of growth we will be redesigning away from solely the WET® articulated truck units and into new skid mounted units. The mid-stream business has allowed the Company to deal with oil brine and higher brine temperatures than in Montana. The initial three WET® units are estimated to produce approximately 2.5 MT per month. Two of the sites produce excess of 30,000 bwpd of iodine rich brine. These larger brine streams will require the installation of a mini plant similar to our facility at Atlantis and we are working to have this at full capacity by year end 2010. Once fully operational these three sites alone could produce in excess of 20 MT per month. Focused negotiations are ongoing with other operators in California, Oklahoma and Texas.

We will shortly be able to demonstrate the working unit in not only the Atlantis prospect in Montana and in California but shortly in Oklahoma as well. Encouragingly, with current low gas prices, oil and gas producing operators are being forced to reassess their business models and seek to lower costs. Iofina has focused on progressing detailed discussions with a number of brine stream producers, as the economic case for allowing Iofina to deploy its mobile WET® pod units to extract iodine from their waste brine streams has become increasingly compelling. These producers have commercially viable oil and gas fields so any additional revenue that can be realized from the production of iodine from existing brine streams will be highly beneficial. Through our turnkey approach we offer these producers a revenue stream that requires no capital expense and low operational risk. Iofina reduces its capital expenditure by only building the WET® unit with no requirement to drill production wells, injection wells, electric infrastructure, brine lines or surface facilities. Iofina is able to deliver a low cost capital and operational expenditure model utilizing these different brine streams within our current WET® process and enabling us to bring on nearly immediate production. 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 fully successful, will add significant Iodine volumes to Iofina's production with limited operational and capital risk.

Iofina Chemical Review

H&S Chemical (renamed Iofina Chemical) was acquired in July 2009 for £5,668,305 ($8.5 million USD) providing Iofina with direct integration into the higher margin $2.5-3 billion USD per annum iodine chemical derivatives market. Over the past ten months Iofina has implemented a number of initiatives in order to better position the business as part of the wider integrated Company offering. As previously mentioned we reacted to both a slowing in demand in Q4 2009, which had an impact on margins during that period, and unwanted large inventory build-up by previous management. Key changes have included re-pricing of certain products; pitching for new higher margin business from existing and prospective clients; scaling back lower margin products and accounts; launching a new iodine based product; complete inventory work downs; making capacity improvements to the plant for methyl iodide (a new crop fumigant); and changes in senior management.

Despite the repositioning challenges of the Chemical business and the economic slowdown, it has remained profitable. Year-to-date (YTD) sales at Iofina Chemical through to April 2010 were £3.6 million ($5.6 million USD) versus our budget of £3 million ($4.6 million USD) which is the highest in that company's history. April 2010 was a strong month with sales of £1.3 million ($1.9 million USD) versus a budget of £0.96 million ($1.5 million USD) and sales in April 2009 of £.331 million ($.486 million USD). Profit margins have improved YTD for 2010. These results are directly due to the hard work and effort of all the employees at Iofina Chemical led by Dr. Tom Becker. The management change has aligned sales, production, and purchasing, while at the same time providing a more enjoyable working environment. Furthermore, the Company is delivering innovative products and continued growth in existing products. Iofina Chemical recently completed a key bid for a contract to begin in 2011 and last for five years. We remain optimistic that we will be awarded this key contract. We are seeing pricing pressures on one of our larger volume but lowest margin products and are dealing with this challenge accordingly. Loss of customers in this business may hurt over all sales in 2010 but not proportionally to the bottom line. With the addition of new contract awards, other order wins, the first quarter of 2010 has been a strong turn for Iofina Chemical.

Iodine and Natural Gas Market Outlook

After several years of consistent growth, the demand for iodine dropped in 2009 reflecting the impact of the economic slowdown on several of the end products in which iodine is used. Encouragingly after three quarters of marginal weakness, the fourth quarter of 2009 showed a marked recovery which limited the overall impact for demand in 2009 and the first quarter of 2010 has seen demand remain strong and this is now expected to remain the case for the rest of 2010. Following eight years of price growth, including a 20% rise in October 2008, iodine prices in 2009 showed a $.42, or 2%, decrease in price per kilogram reflecting the marginal weakness in demand. Management expect prices to start to increase in the 4th quarter of 2010 to new all time highs.

The price of natural gas on the NYMEX Henry-Hub Natural Gas market in the US has reduced from over $13 Mcf in July 2008 to the current price of $4.08 Mcf, a small recovery from the seven year lows hit in 2009. Oversupply from the newly drilled shale gas and declining industrial use resulting from the global recession contribute to the deflated value of natural gas. However, the decline in the price of natural gas presents an opportunity for the industrial sector, specifically in regards to power generation, to switch from coal, which is much more expensive and emits 37 per cent more carbon dioxide, to natural gas. Because of this increase in demand management anticipates natural gas prices to continue to gradually appreciate throughout 2010.

The recent changes in pricing and demand for natural gas and iodine reaffirm the benefits of Iofina's access to multiple revenue streams. With the capability to access both markets, the lower price of gas does not have an impact on the Group's overall business model due to it mid-stream extraction business. Iofina's mobile WET® technology remains appealing to third parties who desire the stability of natural gas, oil and iodine as multiple revenue streams. Adding a third revenue stream from the sale of water in 2011 will provide a area of revenue growth and financial capital stability.

Corporate Outlook

Despite being behind the original schedule in the Atlantis prospect, Iofina has identified the causes and, following a number of initiatives implemented over the past couple of months, has now taken the significant and necessary steps to resolve the issues encountered such that we expect the development of the prospect going forward to be more consistent. In addition, the Company has made substantial progress since the start of the year in our other two core businesses of iodine derivatives and mid stream opportunities, both of which have the potential to be large and highly profitable businesses. As such we believe the Company is now in a much stronger overall position with respect to delivering and executing its strategy and creating increased shareholder value. The Directors believe that developing this mid-stream strategy should result in higher iodine production volumes in 2010 and beyond at a lower aggregate unit cost of production with clear positive implications for the profitability of the Company.

We continue to remain excited about Iofina's prospects in 2010 and our ability to continually create value for our shareholders.

Chris Fay CBE
Non-Executive Chairman
Iofina plc
June 2010

FINANCIAL REVIEW

Iofina reported a loss of £4,177,686 in the year ended 31 December 2009 (2008: profit of £788,279). The basic loss per share was 4.09p and no dividend is being declared.

Economic conditions resulted in a stronger Sterling exchange in 2009. Given that the Company holds some of its cash balance in US dollars and makes loans to its subsidiaries denominated in Sterling and the functional currency of the subsidiaries is US dollars, the change in the exchange rate resulted in a £1,327,111 foreign currency loss (2008: £1,347,364 gain).

The Group's most significant financial event of the year was the acquisition of H&S Chemical in July, 2009. The acquisition 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. The purchase price of £5,668,305 ($8.5 million USD) consisted of £4,566,000 ($7.5 million USD) in cash and the issuance of 736,314 new ordinary shares valued at £608,800. Additionally, in December 2009, a sum of £493,505 ($810,619 USD) was paid as an adjustment to working capital. Post acquisition, Iofina Chemical (renamed from H&S Chemical) contributed significantly to the performance of the Group. Revenue from Iofina Chemical was £3.4m with a gross margin contribution of £570,817.

In February 2009 the Company raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each in the Company (the "Placing Shares"), at a price of 55p per share (the "Placing") for the purpose of vertically integrating Iofina into the iodine derivatives market.

2009 also was a year of considerable progress in the development of the Atlantis Prospect in Montana. In the summer, the Group achieved initial gas sales and by fall the initial production of iodine. After successfully achieving these milestones, the Group focused its efforts on preparing Atlantis for full field development. At year end, the Group had plant, property and equipment of £4,624,994(2008: 2,897,674) which primarily relates to the installation of infrastructure at the Atlantis Prospect. The Group also continued to aggressively acquire acreage in Atlantis. At year end, the Group had mineral leases on approximately 290,000 net acres in Northern Montana and deferred exploration costs of £2,115,182 (2008: £956,396).

With a net cash inflow from financing activities of £5,552,334, primarily relating to monies raised from the February 2009 placing, the Group ended the year funded with a net cash position of £6,660,325. The Directors believe that this will be sufficient to complete the development of the Atlantis Prospect as set out at the IPO, including taking Iofina into cash generation.

LJ Baller
Finance Director
Iofina plc
2 June 2010

DIRECTORS' BIOGRAPHIES

Dr. Chris E. Fay CBE, Non-Executive Chairman
PhD. BSc, C.Eng, FREng, FRSE, FICE & FEI

Dr. Fay is the former Chairman of Expro International Group plc which was recently sold for £1.8bn to Candover. He served as Chairman from 1999 until the sale in 2008. Dr. Fay is currently a non-executive director of Stena International Sarl, and Brightside Group plc . Dr. Fay left the Board of Anglo-American plc (LSE:AAL, market capitalisation of £19.54 billion) in April 2010, after over 10 years of service, which included Chairman of the S&SD Committee and a member of the Remuneration and Audit Committees for Anglo-American plc. From 1993-1998, Dr. Fay was Chairman and Chief Executive of Shell U.K. Limited, a leading integrated oil, gas and chemical company in the UK with a typical net income of £500 million on a turnover of £9 billion per annum, annual CAPEX of £900 million and 7,000 direct staff. Dr. Fay retired from the Shell Group in February 1999 after 30 years' service. Dr. Fay was senior non-executive director of BAA plc 1998-2006, during which BAA was sold for £10.3 billion to the Ferrovial Consortium, Chairman of ACBE (Government Advisory Committee on Business and the Environment) 1999-2003 where Dr. Fay championed the launch of the UK's Emission Trading Scheme in 2002-2003. Educated at Leeds University where he received a BSc and a PhD in civil engineering, Dr. Fay was awarded a CBE in 1999 for services to the gas and oil industry.

Jeffrey P. Ploen, Non-Executive Deputy Chairman

Mr. Ploen is a former director of Momentum Biofuels Inc., a biodiesel producer in Houston Texas. Mr. Ploen is also a former director of Petro Uno, a Columbian oil and gas exploration company. He was the director of finance at Navidec, Inc., now BPZ, Inc (AMEX: BZP; market capitalisation of $574 million), having raised more than $150 million in debt from the IFC (World Bank) and $140 million in equity from institutional investors. Mr. Ploen is the former CEO of Tamaron Corp., Paradigm Holdings, Inc., and Tonga Capital Corp., all of which were sold or merged into substantially larger corporations.

Paul S. Chase-Gardener, Non-Executive Director and Chairman of the Audit Committee

Mr. Chase-Gardener originally co-founded Brightside Group plc, a leading E insurance direct company, and now serves as CEO. Previously, Mr. Chase-Gardener was Chairman of Southern Rock Insurance Company Limited, New Law LLP (Solicitors), and former Chairman and Finance Director of Group Direct LTD. Mr. Chase-Gardener was the former Managing Director and a substantial shareholder of Bladon Group Plc until the successful trade sale to Inghams Travel. Mr. Chase-Gardener qualified as a Chartered Accountant with Price Waterhouse in London where he began his career.

Lance J. Baller, Chief Executive Officer and President

Mr. Baller is currently acting as Finance Director after his appointment to CEO and President in March 2010. Mr. Baller is the former managing partner of Shortline Equity Partners, Inc., a mid-market merger and acquisitions consulting and Investment Company in the United States. He has actively served on the investment committees, audit committees, committees on corporate governance, compensation and benefits committees, executive committees, finance committees, committees on public policy and social responsibility, and while on the board of directors of companies in Asia and United States. Mr. Baller is also a former vice president of mergers and acquisitions, financing and corporate development at Integrated Biopharma, Inc and prior to this the vice president of the investment banking firm UBS AG and Morgan Stanley. He is the former chairman and current director of NetAds International, Inc. Mr. Baller is on the board of trustees of Giant 5 Mutual Funds and also serves as the chairman of the audit committee and as the audit committee financial expert under the Sarbanes-Oxley Act of the United States for Giant 5 Funds.

Forest Dorn, Executive Director (appointed 12 January 2010)

Mr. Dorn is the CEO and President of the Company's wholly owned subsidiary Iofina Natural Gas, Inc. Mr. Dorn brings over thirty years of broad oil and gas experience to Iofina. Prior to Mr. Dorn's appointment he was a Member/Manger of Avanti Exploration, LLC since 2004. Mr. Dorn began his career with Forest Oil Corporation (NYSE: FST US$3.12 bn cap) as a scout in Midland, Texas in 1977. He later became a landman in Midland, and in 1980 became Assistant Division Manager of the Company's MAFLA (Mississippi, Alabama and Florida) Division located in Jackson, Mississippi. In 1984 he was appointed Assistant Division Manager of the Company's Southern Division located in Lafayette, Louisiana. In 1990 he assumed the position in Denver of Division Manager - Onshore Division, and was appointed a Vice President of the Company in 1991, General Business Manager in December 1993, and Senior Vice President of the Gulf Coast Region in 1996, and Senior Vice President Corporate Services in 2000 until his departure in 2004. Mr. Dorn holds a Liberal Arts Degree from the University of Arizona in Tucson where he graduated in 1977.

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2009.

Principal activities and review of the business

Iofina plc ("Iofina" or the "Company") is the holding Company of a group of companies (the "Group") involved in the exploration and production of both iodine and natural gas which have been discovered on acreages which the Group holds as well as the manufacturing of specialty chemicals primarily derived from iodine. In its Atlantis Field, the presence of both iodine and natural gas allows the Group to generate dual revenue streams over a single cost structure. Iodine is a rare element that is only produced in a few countries in the world with over 79 per cent. coming from Chile (58 per cent.) and Japan (21 per cent.). Through the Group's wholly owned subsidiary Iofina Chemical, Inc. and the acquisition of H&S Chemical, the Group is vertically integrated into the iodine derivatives market. Ensuing vertical integration through both production and derivatives results in better margins for the Company while controlling the products end use.

The Group's proprietary Wellhead Extraction Technology® (WET®) method enables the co-production of iodine from the brine. Iofina currently has leased approximately 290,000 net acres in Northern Montana. The directors of the Company believe that Iofina's low cost development strategy and its dual revenue streams will provide both excellent margins and reduced revenue volatility since the two product streams are unrelated relative to their respective markets. Iofina is the first commercial producer of iodine in Montana and, so far as the Directors are aware, the only independent iodine producer in the USA.

Key Performance Indicators

Key Performance Indicators	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Iodine produced (Kg)	435	-
Natural gas produced (MCF)	4,356	-
Revenue	3,381,995	-
(Loss)/Profit before taxation	(4,125,388)	828,279
Cash and cash equivalents	6,660,325	12,968,678
Ratio of current assets to current liabilities	4.12	20.18

Based on the fact that Iofina is a junior exploration and production company, the Group did not release targets for Key Performance Indicators in either 2009 or 2008.

Risks and Uncertainties

Iofina plc is a junior exploration company, and accordingly, is subject to a number of risks and uncertainties, any of which could have a material effect on its business, operations or future performance, including but not limited to:

Exploration: Exploration for iodine and natural gas involves significant risk. There is no assurance that commercial quantities of natural gas can be recovered from the Group's current acreage or that natural gas will be discovered from the Group's future acreage. Furthermore, there can be no assurances that the Group will be able to acquire additional acreage on commercial terms. No assurances can be given that if natural gas is discovered, the Group will be able to exploit such reserves as intended.

Environmental: The Group's operations are subject to the environmental risks inherent in the exploration industry. The Group is subject to environmental laws and regulations in connection with all of its operations. Although the Group intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances, which could expose the Group to extensive liability.

Price volatility: The demand for, and prices of, natural gas and iodine are highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, the price and availability of alternatives, actions taken by governments and international cartels and global economic and political developments. International prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in natural gas and iodine prices and, in particular, a material decline in the price of natural gas and iodine would have a material adverse effect on the Group's business, financial condition and result of operations assuming production is achieved by the Group's exploration activities.

Key customers: There are a limited number of potential customers who purchase many of the products of the Group's chemical business, which makes relationships with these customers, as well as the success of those customers' businesses, critical to the Group's success. The loss of one or more major customers could harm the business, operating results and financial condition of the Group.

Iofina is continuing to diversify its customer base in its Chemical subsidiary. In addition Iofina works closely with all its customers to develop strong relationships with a significant focus on ensuring its products and services meet the needs of its customers and are of the highest quality.

Key employees: Iofina's ability to provide leadership and products and services to customers is dependent on having sufficiently qualified and experienced personnel. To achieve its growth strategy and increase productivity, Iofina must continue to employ, train, motivate and retain skilled personnel. It must also develop the managers of the future. Iofina is committed to developing its employees and actively identifies employees with high potential and rewards strong performance.

Raw materials: The Group's chemical division faces a risk of ability to sustain margins due to increasing costs of raw materials, energy and other inputs which it may be unable to pass on to customers. Management's response to this risk involves, among other things, vertically integrating in the iodine market, multiple source and geographically diverse procurement policies and strategic customer pricing reviews

Regulation

The businesses are subject to various significant international, federal, state and local regulations currently in effect and scheduled to become effective in the near future, including but not limited to environmental, health and safety and import/export regulations. These regulations are complex, change frequently, can vary from country to country, and have increased over time. Iofina may incur significant expense in order to comply with these regulations or to remedy violations of them.

Any failure by Iofina to comply with applicable government regulations could result in non-compliant portions of our operations being shut down, product recalls or impositions of civil and criminal penalties and, in some cases, prohibition from distributing our products or performing our services until the products and services are brought into compliance, which could significantly affect our operations.

The Group closely monitors regulations across its businesses to ensure that it complies with the relevant laws and regulations. Whilst Iofina does not believe that it is non-compliant with any laws or regulations, any instances of non-compliance would be brought to the attention of the appropriate authorities as soon as possible.

Financial instruments: The financial risks of the Group are discussed in Note 20.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income.

The directors do not recommend payment of a dividend.

Directors

The directors who served during the year were as follows:

Dr. Chris E. Fay CBE, Non-Executive Chairman
Jeffrey P. Ploen, Non-Executive Deputy Chairman
Paul S. Chase-Gardener, Non-Executive Director and Chairman of the Audit Committee
David J. Schneider, Chief Executive Officer and President (resigned 17 March 2010)
Lance J. Baller, Chief Executive Officer and President
Forest Dorn, Executive Director (appointed 12 January 2010)

Compensation in provided to each director was as follows:

	2009	2008
Dr. Chris E. Fay	£50,000	£25,000
Jeffrey P. Ploen	£25,000	£18,750
Paul S. Chase-Gardener	£25,000	£12,083
David J. Schneider	£158,844	£113,482
Lance J. Baller	£158,844	£113,482

The interests of the directors in the shares of the Company at the end of the financial year and the beginning of the financial year or date of appointment, if later, were as follows:

	31 December 2009	1 January 2009
J P Ploen (1)	9,440,000	9,440,000
L J Baller (2)	9,000,000	9,000,000
Dr. D J Schneider (3)	7,500,000	7,500,000
Dr. C E Fay	1,080,000	1,030,000
P S Chase-Gardener (4)	350,000	350,000

(1) Includes 1,200,000 shares held by J Paul Consulting in which Mr. Ploen is President and beneficial owner.
(2) The 9,000,000 shares are held by Ultimate Investments Corp. in which Mr. Baller is the beneficial owner.
(3) Includes 6,000,000 shares held by Dr. Schneider's wife Julie Schneider.
(4) Includes 283,900 shares held individually and 16,100 shares held in the Jane Chase-Gardener pension fund that Union Pension is Trustee.

In addition to these shares, Chris Fay was granted options for 100,000 shares on 9 May 2008 and with an exercise price of 55 pence. No other director has any interests in options in the Company.

Going concern assumption

In February 2009, the Company raised £5 million (before expenses) in order to enter the iodine specialty chemical derivatives market. After successfully completing the acquisition of H&S Chemical, the specialty chemical division of the Group is cash flow positive and is not expected to require significant additional capital injections.

In Atlantis, significant capital investment has been made to prepare the field for full development. Additional investment required to achieve break even will be significantly less than the Group's current cash position.

In view of its current stage of development, the directors do not consider that the Company needs to raise additional funds in order to realise its business plan. The directors therefore consider that it is reasonable for the financial statements to be prepared on a going concern basis.

Policy and practice of payments of creditors

The Group seeks to agree payment terms with its suppliers in advance of a transaction and will pay in accordance with the agreed terms as long as the Group is satisfied that the supplier has provided goods and services in accordance with the order.

During the year ended 31 December 2009, the Group, on average, paid its trade creditors within 63 days of receipt of a valid invoice (2008: 55 days).

Post balance sheet events

After the year end, on 12 January 2010, Forest Dorn was appointed to the Board of Directors. On 7 March 2010 Lance Baller was promoted from Finance Director to Chief Executive Officer. On 17 March 2010, David Schneider resigned from the Board of Directors.

In addition, post balance sheet, the Group has announced several contracts with independent oil and gas operators to extract iodine from their brine streams. These deals represent a significant new revenue opportunity for the Group.

Directors' responsibility for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP, have indicated that they are willing to continue in office. A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the Annual General Meeting.

On behalf of the Board

L J Baller
Director
2 June 2010

SOCIAL RESPONSIBILITY STATEMENT

The Group supports the growing awareness of social, environmental and ethical matters when considering business practices. This statement provides an outline of the policies in place that guide the Company and its employees when dealing with social, environmental and ethical matters in the workplace.

Code of conduct
The Group maintains and requires the highest ethical standards in carrying out its business activities in regard to dealing with gifts, hospitality, corruption, fraud, the use of inside information and whistle-blowing.

Equal opportunity and diversity
The Group promotes and supports the rights and opportunities of all people to seek, obtain and hold employment without discrimination. It is our policy to make every effort to provide a working environment free from bullying, harassment, intimidation and discrimination on the basis of disability, nationality, race, sex, sexual orientation, religion or belief.

Employee welfare
The Group aims to assist employees at all levels to improve their professional abilities and to develop their skills. The Group will practice manpower and succession planning in regard to the number and type of employee personnel resources that will be required in the future. Individual career progression activities are developed with this in mind.

Joint venture partners, contractors and suppliers
The Group is committed to being honest and fair in all its dealings with partners, contractors and suppliers. The Group has a policy to provide clarity and protection, within its terms of business, and to ensure the delivery and receipt of products and services at agreed standards. The Group also closely guards information entrusted to it by joint venture partners, contractors and suppliers, and seeks to ensure that it is never used improperly.

Operating responsibly and continuous improvement
The Group is committed to a proactive quality policy to ensure that stakeholders are satisfi ed with the Group's results and the way in which the business operates and to promote continuous improvement in the overall operation of the Group. In pursuit of these objectives, the Group will use recognised standards and models as benchmarks for its management system.

Environmental policy
The Group adopts an environmental policy which sets standards that meet or exceed industry guidelines and host government regulations. This will be reviewed on a regular basis.

CORPORATE GOVERNANCE STATEMENT

The Directors support high standards of corporate governance and acknowledge the importance of the Combined Code and apply its principles so far as is practicable and appropriate given the size and constitution of the board. The Group also complies with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance in 2005.

The Company has adopted a model code for dealing in Ordinary Shares by Directors and employees which is appropriate for an AIM-quoted company

Board structure and committees

The Board comprises two executive directors and three non-executive directors. The roles of Chairman and Chief Executive Officer are separate, ensuring a division of responsibilities at the head of the company. The Non-Executive Chairman conducts Board and shareholder meetings and ensures all directors are properly briefed. The Board is responsible for formulating, reviewing and approving the company's strategy, budgets and major items of capital expenditure.

Board meetings are scheduled to take place at least quarterly, with additional meetings to review and approve significant transactions. The Board is provided with Board papers before each Board meeting of which there were five in the year. The Company Secretary's services are available to all members of the Board. If required, the Directors are entitled to take independent advice and if the Board is informed in advance, the Company will reimburse the cost of the advice. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

Non-executive Directors, with the exception of the Chairman, are appointed on a contract with a three month notice period. The Chairman and the Executive Directors are appointed on a contract with a twelve month notice period. All Directors are subject to re-election. Each year, one third of the Directors are subject to re-election by rotation. The Group does not combine the role of Chairman and Chief Executive. New Directors are subject to re-election at the first AGM after their appointment.

At the year end, the Board comprised the Non-Executive Chairman, the Chief Executive, the Finance Director and two other Non-Executive Directors.

Remuneration Committee

The Remuneration Committee is composed of three Non-Executive Directors: J P Ploen (Chairman), C E Fay and P S Chase-Gardener. It is responsible for the terms and conditions and remuneration of the Executive Directors and senior management. The Remuneration Committee may consult external agencies when ascertaining market salaries. A Committee member of the Remuneration Committee will be available at the AGM to answer any shareholder questions. All matters concerning the remuneration of executive directors are considered by the Remuneration Committee.

The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the board. No director or member of the senior management is permitted to participate in discussions or decisions concerning his own remuneration.

Remuneration Policy

The Remuneration Committee's policy is that directors' remuneration be commensurate with services provided by them to the company. The remuneration of all directors is considered by the Committee.

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors: P S Chase-Gardener (Chairman) J P Ploen, and C E Fay. The Committee monitors the adequacy of the Group's internal controls and provides the opportunity for the external auditor to communicate directly with the Non-Executive Directors.

The Audit Committee also ensures that the external auditor is independent via the segregation of audit related work from other accounting functions and measures applicable fees with similar auditors.

Relations with shareholders

The Group gives high priority to its communication with shareholders by means of an active investor relations programme. This is achieved through correspondence and extensive corporate information. In addition, the Group visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports from the Group's head office. At the AGM the shareholders are given the opportunity to question members of the Board. The notice of the AGM is sent to shareholders at least 14 business days before the meeting (21 days where there is a special resolution).

Internal controls

The Board of Directors acknowledges their responsibility for the Group's system of internal control, including suitable monitoring procedures. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Group's control environment is the responsibility of the Group's Directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the operational management, including key risk assessment. Investment policy, acquisition and disposal proposals and major capital expenditure are authorised and monitored by the board.

The Group operates a comprehensive budgeting and financial reporting system and, as a matter of routine, compares actual results with budgets, which are approved by the Board of Directors.

Management accounts are prepared for the Group on a monthly basis. Material variances from budget are thoroughly investigated. In addition updated forecasts are prepared, at least quarterly, to reflect actual performance and the revised outlook for the year.

The Board considered the usefulness of establishing an internal audit function and decided in view of the size of the Group it was not cost-effective to establish. This will be kept under review.

On behalf of the Board

L J Baller
Director
2 June 2010

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF IOFINA PLC - GROUP

Independent auditor's report to the members of Iofina Plc

We have audited the group financial statements of Iofina Plc for the year ended 31 December 2009 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Iofina Plc for the year ended 31 December 2009.

Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
OXFORD

2 June 2010

IOFINA PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Continuing operations			
Revenue		3,381,995	-
Cost of sales		(2,813,984)	-
Gross profit		568,011	-
Administrative expenses		(3,432,621)	(756,899)
Finance income	7	66,339	1,585,178
Finance expense	7	(1,327,117)	-
(Loss)/Profit before taxation	5	(4,125,388)	828,279
Taxation	8	(52,298)	(40,000)
(Loss)/Profit for the year attributable to shareholders of the parent company		(4,177,686)	788,279
Other comprehensive income			
Foreign currency differences on translating for foreign operations		23,972	53,578
Other comprehensive income for the period, net of income tax		23,972	53,578
Total comprehensive income for the period		(4,153,714)	841,857
Basic and diluted loss per share (pence)	9	(4.09)	0.94

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	31 December 2009 £	31 December 2008 £	31 December 2007 £
Assets				
Intangible assets	11	4,792,495	956,396	200,002
Goodwill	12	1,681,827	-	-
Plant, property and equipment	13	4,624,994	2,897,674	-
Other non-current assets	14	65,754	-	-
Total non-current assets		11,165,070	3,854,070	200,002
Other receivables and prepayments	15	1,184,341	20,728	3,922
Inventories	16	1,452,162	-	-
Cash and cash equivalents	17	6,660,325	12,968,678	1,319,281
Total current assets		9,296,828	12,989,406	1,323,203
Total assets		20,461,898	16,843,476	1,523,205
Liabilities				
Trade and other payables	18	1,462,727	643,524	231,275
Deferred tax liability	19	791,799	-	-
Total current liabilities		2,254,526	643,524	231,275
Equity				
Issued share capital	21	1,051,938	938,161	221,205
Share premium		20,584,760	14,537,403	1,685,233
Share-based payment reserve		516,884	516,884	20,025
Retained earnings		(3,969,779)	207,907	(580,372)
Foreign currency reserve		23,569	(403)	(54,161)
Total equity		18,207,372	16,199,952	1,291,930
Total equity and liabilities		20,461,898	16,843,476	1,523,205

The financial statements were approved by the Board and were signed on its behalf on 2 June 2009.

L J Baller
Director

Company number: 05393357

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share Premium	Share-based payment reserve	Retained loss	Foreign currency reserve	Total equity
	£	£	£	£	£	£
Balance at 1 January 2008	**221,205**	**1,685,233**	**20,025**	**(580,372)**	**(54,161)**	**1,291,930**
Transactions with owners						
New share capital subscribed	716,956	14,383,044	-	-	-	15,100,000
Share issue costs	-	(1,530,874)	-	-	-	(1,530,874)
Share-based payment reserve	-	-	496,859	-	-	496,859
Total transactions with owners	**716,956**	**12,852,170**	**496,859**	**-**	**-**	**14,065,985**
Recognised income and expense for the year						
Profit for the year	-	-	-	788,279	-	788,279
Total recognised income and expense for the year	**-**	**-**	**-**	**788,279**	**-**	**788,279**
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	53,758	53,758
Total other comprehensive income	**-**	**-**	**-**	**-**	**53,758**	**53,758**
Balance at 31 December 2008	**938,161**	**14,537,403**	**516,884**	**207,907**	**(403)**	**16,199,952**
Transactions with owners						
New share capital subscribed	113,777	6,325,023	-	-	-	6,438,800
Share issue costs	-	(277,666)	-	-	-	(277,666)
Share-based payment reserve	-	-	-	-	-	-
Total transactions with owners	**113,777**	**6,047,357**	**-**	**-**	**-**	**6,161,134**
Recognised income and expense for the year						
Loss for the year	-	-	-	(4,177,686)	-	(4,177,686)
Total recognised income and expense for the year	**-**	**-**	**-**	**(4,177,686)**	**-**	**(4,177,686)**
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	23,972	23,972
Total other comprehensive income	**-**	**-**	**-**	**-**	**23,972**	**23,972**
Balance at 31 December 2009	**1,051,938**	**20,584,760**	**516,884**	**(3,969,779)**	**23,569**	**18,207,372**

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Cash flows from operating activities		
(Loss)/Profit before taxation	(4,125,388)	828,279
Adjustments for:		
Depreciation and amortization	463,367	19,887
Investment Income	(66,339)	(724,178)
Interest expense	6	-
Currency translation adjustment	23,972	53,758
	(3,704,382)	177,746
Decrease/(Increase) in other receivables and prepayments	468,463	(16,806)
Decrease/(Increase) in inventories	(624,738)	-
Increase/(Decrease) in other liabilities	(2,553)	412,249
Taxes paid	(52,298)	(40,000)
Cash generated from/(used in) operations	(3,915,510)	533,188
Interest paid	(6)	-
Net cash inflow/(outflow) from operating activities	(3,915,516)	533,188
Cash flows from investing activities		
Interest received	66,339	724,178
Acquisition of subsidiary	(5,059,505)	-
Acquisition of intangible assets	(1,158,786)	(756,394)
Acquisition of property, plant and equipment	(1,793,219)	(2,917,560)
Net cash inflow/(outflow) from investing activities	(7,945,171)	(2,949,776)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	5,830,000	15,100,000
Cost of issue of ordinary share capital paid	(277,666)	(1,034,015)
Net cash inflow from financing activities	5,552,334	14,065,985
Net increase in cash and cash equivalents	(6,308,353)	11,649,397
Cash and cash equivalents at beginning of year	12,968,678	1,319,281
Cash and cash equivalents at end of year	6,660,325	12,968,678

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The Company is a public limited company incorporated and domiciled in England.

The registered office is located at 82 St. John Street, London, EC2M 4JN. The principal activities of the Company are that of investment holding, geological and chemical consulting. The principal activities of the subsidiaries are detailed in Note C7.

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

b) Changes in accounting policies

The Group has adopted the following new standards interpretations, revisions and amendments to IFRS:

Certain other new standards and interpretations have been considered but have no impact on the Group's financial statements.

Adoption of IAS 1 Presentation of Financial Statements (Revised 2007)

The Group has adopted IAS 1 Presentation of Financial Statements (Revised 2007) in its consolidated financial statements. This standard has been applied retrospectively. The adoption of the standard does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged.

IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'.

IFRS 8 Operating Segments

The Directors have adopted IFRS 8 Operating Segments and this has been applied retrospectively. The revised standard introduces changes to the way in which segmental analysis is identified and reported, but has not changed the measurement basis of any items in the financial statements. The Group's policy with respect to segmental reporting is set out below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group. Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning on or after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not considered relevant to the Group.

Annual Improvements 2009 (effective from 1 July 2009 and later)

The IASB has issued Improvements for International Financial Reporting Standards 2009. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010. The Group expects the amendments to IAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment IAS 17 generally required a lease of land to be classified as an operating lease. The amendment now requires that leases of land are classified as finance or operating applying the general principles of IAS 17. The Group will need to reassess the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases. Any newly classified finance leases are recognised retrospectively. Preliminary assessments indicate that the effect on the Group's financial statements will not be significant.

c) Presentation of financial statements

The consolidated financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007). The Group has elected to present the 'Statement of comprehensive income' in one statement.

Two comparative periods are presented for the statement of financial position when the Group:

(i) applies an accounting policy retrospectively,

(ii) makes a retrospective restatement of items in its financial statements, or

(iii) reclassifies items in the financial statements

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

d) Revenue recognition

Revenue comprises revenue from the sale of chemicals, natural gases and ancillary products. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied, excluding VAT, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods – specialty chemicals

The group manufactures and sells a range of specialty chemicals. Sales of goods are recognised when a group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied

(ii) Sale of goods – Natural gas

Revenues from the sale of natural gas are recognized when the product is delivered at a fixed or determinable price, title has transferred, collectability is reasonably assured and evidenced by a contract.

e) Research and development expenditures

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase of a new
customised chemical manufacturing process or development of a natural gas/iodine field are recognised as intangible assets provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits.

Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;

- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred. In 2009, all research and development expenditures were expensed as incurred.

f) Going concern assumption

In common with many exploration companies, the Group raises finance for its exploration, appraisal and development activities in discrete tranches. Further funding is raised as and when required. In February 2009, the Company raised an additional £5 million (before expenses) to pursue opportunities in the iodine specialty chemical derivatives market. At its current stage of development, the directors consider that the Group does not need to raise additional funds in order to realise its business plan with respect to the Atlantis prospect.

g) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercised control through voting rights. The acquisition method of accounting is used to account for the purchase of subsidiaries by the group. On acquisition the subsidiary's assets and liabilities are recorded at fair value reflecting their condition at the date of acquisition.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements, unless the losses provide an indication of impairment of the assets transferred.

Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

h) Business combinations

Business combinations are accounted for using the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group s accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition.

i) Foreign currency

The Group and Company prepare their financial statements in Pounds Sterling.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of changes in equity to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of changes in equity, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average rate for the period. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign currency reserve" in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

Iofina plc is domiciled in the UK, which is its primary economic environment and the Company's functional currency is Pounds Sterling. The Group's current operations are based in the US and the functional currency of the Group's other entities is the US Dollar. The Group plans to expand operations in its ordinary course of business to other areas which may be outside of the US.

Given that the functional currency of the Company is Pounds Sterling, management has elected to continue to present the consolidated financial statements of the Group in Pounds Sterling.

Items included in the financial statements of each of the Group's entities are measured using the functional currency of the primary economic environment in which the entity operates. Transactions and balances are then converted to the Group's presentational currency.

j) Intangible assets

Deferred exploration and evaluation costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred.

Once a legal right has been obtained, exploration and evaluation costs are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads.

Deferred exploration costs are carried at historical cost less any impairment losses recognised. If an exploration project is successful, the related expenditures will be transferred to development assets and amortised over the estimated life of the reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain the necessary financing to complete the development of reserves and future profitable production or proceeds from the disposal thereof.

Other identifiable intangible assets

Other identifiable intangible assets arose from the acquisition of H&S Chemical. These assets were valued by an outside, independent valuation firm. Based on the type of asset, the useful life of each asset was estimated. The value of each identifiable intangible was then amortized across the useful life. The following useful lives are applied:

- WET patent: 15 years
- Customer relationships: 10 years
- Other patents: 8 years
- EPA registrations: 2 years
- Non-compete agreements: 3 years

Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the company's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

k) Plant, property and equipment

Plant, property and equipment is stated at historical cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the depreciable amount of each asset on a straight line basis over its expected useful life, as follows:

- Mobile Iodine Extraction Units and computer equipment: 33.3% per annum
- Office, short-term drilling and construction equipment: 20% per annum
- Furniture and fixtures: 14.3% per annum
- Long-term drilling and construction equipment: 10% per annum
- Leasehold improvements: 6.7% per annum

Reviews of the estimated remaining lives and residual values of individual productive assets are made annually.

l) Financial instruments

Financial liabilities

- Trade and other payables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial assets

- Cash and cash equivalents represent short term, highly liquid investments with an original maturity of fewer than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method; less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

m) Impairment

Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances applies:-

i) unexpected geological occurrences that render the resource uneconomic;
ii) title to the asset is compromised;
iii) variations in fuel prices that render the project uneconomic; and
iv) variations in the currency of operation.

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cashgenerating unit and reflect their respective risk profiles as assessed by management. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

n) Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses for the share issue.
- “Share-based payment reserve” represents the fair value of options and warrants issued by the Company

- "Foreign currency reserve" represents the differences arising from translation of foreign operations
- "Retained earnings" represents retained profits or accumulated losses as relevant.

"Distributable reserves" represents the amount of equity that may be paid out as dividends.

o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

p) Taxation

Tax expense recognised in the income statement is the tax currently payable based on taxable profit for the year and deferred tax not recognised directly in equity.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward, as well as other income tax credits to the group, are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

q) Operating leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

r) Share-based payments

The cost of equity settled transactions is measured at fair value at the date of transaction as measured by use of the Black Scholes model and assumptions as set out in Note 22. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Charges made to the income statement in respect to share based payments are credited to the share based payment reserve.

s) Segment reporting

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products provided by the Group and is based on the information presented to the chief operating decision makers. The activities of the exploration and production segment include the exploration and production of natural gas and iodine. The activities of the Chemical segment include the manufacturing of specialty chemicals. The activities of the PLC include the administration of the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that:

- expenses relating to share-based payments; and
- research costs relating to new business activities; and

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

The critical estimates made in the preparation of the financial statements are set out below in accordance with the appropriate IFRS and the Company and the Group's accounting policy. The resulting accounting estimate may not equal the related actual result:

a. Intangible assets are tested for impairment where there is an indication that they may be impaired. In accordance with IAS 36, an intangible asset is considered impaired when its carrying amount exceeds its recoverable amount on an individual cash generating unit basis. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance. In carrying out impairment testing management will make a number of significant estimates in relation to the assumptions incorporated into their calculations. This will include factors such as growth rates, discount rates and inflation.

b. Business combinations. On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill. See note 11 for details of the significant estimates used in determining these values.

c. Management reviews the useful lives of depreciable and amortisable assets at each reporting date. At 31 December 2009 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 11 and 13. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Management must also make judgements about current circumstances and expectations of future events. Significant judgements made by Management include:

a. The identification of costs qualifying for capitalization as exploration & evaluation assets.

b. Identifying the appropriate timing for the recognition of revenue.

3. Segment reporting

a. **Business segments -** The Group reports its business segments in line with IFR8, which requires reporting based on the information that is presented to the chief operating decision makers. This is determined to be the Board of Directors. The Board receives management accounts for each company within the Group and as such the reporting is carried out on this basis. The PLC segments represents the activities of Iofina Plc and are essentially unallocated corporate expenses.

	PLC	Natural Gas	Chemical	Total
Year ended December 31, 2008	**£**	**£**	**£**	**£**
Revenue	-	-	-	-
Gross margin	-	-	-	-
Net Income	146,912	641,367	-	788,279
Year ended December 31, 2009				
Revenue	-	6,402	3,375,593	3,381,995
Gross margin	-	(2,806)	570,817	568,011
Net Income	(1,890,585)	(2,221,275)	(65,827)	(4,177,687)

	31 December 2009 £	31 December 2008 £	31 December 2007 £
Total assets			
Iofina PLC	6,065,975	12,408,466	1,374,800
Iofina Natural Gas, Inc	6,777,573	4,435,010	148,405
Iofina Chemical, Inc	7,618,350	-	-
Total	**20,461,898**	**16,843,476**	**1,523,205**
Total liabilities			
Iofina PLC	70,007	133,659	204,333
Iofina Natural Gas, Inc	732,661	509,865	26,940
Iofina Chemical, Inc	1,451,858	-	-
Total	**2,254,526**	**643,524**	**231,273**
Total capital expenditures			
Iofina PLC	**-**	**-**	**-**
Iofina Natural Gas, Inc	1,795,235	3,673,954	33,933
Iofina Chemical, Inc	4,021,330	**-**	**-**
	5,816,565	**3,673,954**	**33,933**

b. **Geographical segments -** The Group also reports by geographical segment. All the Group's activities are related to exploration for, and development of, natural gas and associated iodine in certain areas of the USA and the manufacturing of specialty chemicals in the USA with support provided by the UK office. In presenting information on the basis of geographical segments, segment assets and the cost of acquiring them are based on the geographical location of the assets.

	31 December 2009 £	31 December 2008 £
Total revenue		
UK	-	-
USA	3,381,995	-
Total	**3,381,995**	-
Total assets		
UK	6,022,499	12,408,466
USA	14,439,399	4,435,010
Total	**20,461,898**	**16,843,476**
Capital expenditures		
UK	-	**-**
USA	5,816,565	3,673,954
Total	**5,816,565**	**3,673,954**

Significant customers- The Group's business segments are the same as its legal entities: (1)Iofina Natural Gas, Inc. – had one significant customer that accounted for 100% of sales; (2)Iofina Chemical

– has three significant customers, one is 32% of sales, another is 25% and the last as accounts for 10% of total sales.

5. Profit/(Loss) before taxation

Profit/(Loss) on ordinary activities is stated after charging/(crediting):

Loss/(Profit) on ordinary activities is stated after charging/(crediting):	**Year ended 31 December 2009 £**	**Year ended 31 December 2008 £**
Fees payable to the Company's auditor for:		
the audit of the Company's financial statements	45,000	27,500
the audit of the Company's subsidiaries pursuant to legislation	-	-
Other services provided by auditors	-	90,542
Foreign exchange (gain)/loss	1,327,111	(1,347,364)
Depreciation expense	312,827	19,887
Amortisation expense	150,540	-
Operating lease expense	92,261	53,176
Reserch and development costs written off in the year	-	-
Share based payments	-	496,859

Other services provided by the auditor in 2008 related to services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or any of its associates.

6. Staff numbers and costs

The Group had 41 employees at the year end 2009 (2008: 21).

	Year ended 31 December 2009 £	**Year ended 31 December 2008 £**
Aggregate remuneration comprised:		
Wages and Salaries	1,250,405	497,515
Social Security costs	68,388	34,572
Total Staff Costs	**1,318,793**	**532,087**

In 2009, £112,500 was paid to directors (considered to be key management personnel) for their services during the year (2008: £64,833). In addition, equity settled share based payments to directors in 2009 equalled £nil (2008: £26,150).

7. Finance income and expense

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Foreign exchange gain	-	861,000
Interest and investment income	66,339	724,178
	66,339	1,585,178
Foreign exchange loss	1,327,111	-
Interest expense	6	-
	1,327,117	-

8. Taxation

Factors affecting the tax credit for the current year

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Tax expense comprises:		
Current year tax expense	-	40,000
Prior year tax expense	52,298	-
	52,298	40,000

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Tax reconciliation:		
(Loss)/Profit on ordinary activities before tax	(4,125,388)	828,279
Tax at 22% (2008: 22%)	(907,585)	182,221
Effects (at 22%) of :		
Tax losses carried forward	907,585	(142,221)
Adjustment to previous year's tax expense	52,298	-
	52,298	40,000

Factors that may affect future tax charges

The Group has tax losses of approximately £1,195,908 (31 December 2008 £356,000) carried forward which may be deductible from future taxable profits subject to agreement with the relevant tax authorities.

A deferred tax asset has not been recognised due to uncertainty over the timing of the recovery of these tax losses.

9. (Loss)/Profit per share

The calculation of loss per ordinary share is based on a (loss)/profit attributable to shareholders of £4,177,687 (2008: £788,279) and the weighted average number of ordinary shares outstanding of 102,201,148 (2008: 84,113,001). The warrants and options are not dilutive and there is, therefore, no difference between the diluted (loss)/profit per share and the basic (loss)/profit per share.

10. Acquisitions

On 27 July 2009, Iofina PLC acquired H&S Kentucky Holdings and its wholly owned subsidiary H&S Chemical Company, Inc. a manufacturer of specialty chemicals principally based on iodine. Iofina PLC acquired 100% of the voting equity interest in H&S Chemical and subsequently changed the name to Iofina Chemical. The purpose of the acquisition was to complete vertical integration, providing Iofina with a strong platform to produce and sell iodine derivatives utilizing its own iodine production.

Total consideration paid for H&S chemical was £5,668,305 ($9,310,619 USD). Consideration included upfront cash of £4,566,000 ($7.5 million USD) and 736,314 in new ordinary shares valued at £608,800 ($1 million USD). Additionally, Iofina paid an additional £493,505 ($810,619) in December 2009 to account for adjustments in working capital. There was no contingent consideration arrangements made and no contingent liabilities recognized.

Assets acquired from H&S include £1,946,139 in net tangible assets; identifiable intangible assets including patents, customer relationships, EPA registrations and Non-compete agreements of £2,827,853 (see note 11 for details); a related deferred tax liability of £791,799; and goodwill of £1,681,827 supported by synergies achieved by combining the businesses such as combined research and development, management and administrative staff and combined purchasing efficiencies.

Revenue and income that the acquisition generated for the year can be found in Note 3 – Iofina Chemical, Inc. If the company had been purchased on 1 January 2009, total revenue for the year would have been £6,444,257 and the full year loss would have been £166,003.

ASSETS			
	Book Value	**Fair Value Adjustments**	**Fair Value**
Current Assets			
Total Accounts Receivable	1,322,294	-	1,322,294
Seller Funded Letters of Credit	266,533	-	266,533
Total Inventory	831,708	-	831,708
Total Current Assets	**2,420,535**	-	**2,420,535**
Other Assets			
Intangible Assets	-	2,827,853	2,827,853
Fixed Assets	246,929	-	246,929
CIP	73,240	-	73,240
Lease Deposit	7,610	-	7,610
Prepaid Exp	23,866	-	23,866
Total Other Assets	**351,645**	**2,827,853**	**3,179,498**
TOTAL ASSETS	**2,772,180**	**2,827,853**	**5,600,033**
LIABILITIES			
Current Liabilities			
Accounts Payable	383,780	-	383,780
Accrued Expenses	103,742	-	103,742
Customer Deposit	334,234	-	334,234
Total Current Liabilities	**821,756**	-	**821,756**
Deferred tax liability	-	791,799	791,799
Total Long Term Liabilities	-	**791,799**	**791,799**
TOTAL LIABILITIES	**821,756**	**791,799**	**1,613,555**
NET ASSETS ACQUIRED	**1,950,424**	**2,036,054**	**3,986,478**
ACQUIRED GOODWILL	**-**	**-**	**1,681,827**
CONSIDERATION			**5,668,305**

At the time of preparing this report the fair values to be assigned to the identifiable intangible assets of H&S Chemical Company can be determined only provisionally. The business combination has therefore been accounted for using the provisional values shown below. The fair values will be determined in the next accounting period and subsequently adjusted for, if necessary, in accordance with IFRS 3.

11. Intangible assets

	Deferred exploration costs	Wet patent	Customer Relationship	Patent portfolio	EPA registrations	Non-compete agreements	Total
	£	£	£	£	£	£	£
Cost							
Balance at 1 January 2007	166,069	-	-	-	-	-	166,069
Additions	33,933	-	-	-	-	-	33,933
Balance at 31 December 2007	200,002	-	-	-	-	-	200,002
Additions	756,394	-	-	-	-	-	756,394
Balance at 31 December 2008	956,396	-	-	-	-	-	956,396
Additions	1,158,786	-	-	-	-	-	1,158,786
Additions from acquisition of H&S Chemical	-	1,822,115	487,040	118,107	181,422	219,169	2,827,854
Balance at 31 December 2009	2,115,182	1,822,115	487,040	118,107	181,422	219,169	4,943,036
Accumulated Amortization							
Balance at 1 January 2007	-	-	-	-	-	-	-
Balance at 31 December 2007	-	-	-	-	-	-	-
Charges for the year	-	-	-	-	-	-	-
At 31 December 2008	-	-	-	-	-	-	-
Charges for the year	-	52,521	21,009	6,368	39,128	31,514	150,541
At 31 December 2009	-	52,521	21,009	6,368	39,128	31,514	150,541
Carrying amounts							
At 1 January 2007	-	-	-	-	-	-	-
At 31 December 2007	200,002	-	-	-	-	-	200,002
At 31 December 2008	956,396	-	-	-	-	-	956,396
At 31 December 2009	2,115,182	1,769,594	466,031	111,739	142,294	187,655	4,792,495

Deferred exploration costs primarily relate to the costs of acquiring leases to explore, drill and produce oil and gas in certain areas of Montana. Other intangible assets relate to the recognition identifiable assets in relation to the purchase of H&S Chemical.

WET Patent

The WET Patent technology employs two different iodine extraction methods depending on brine chemistry for optimal efficiency. We utilized a with and without analysis, a variation of the discounted cash-flow method, to estimate the Fair Value of a WET Patent. The methodology compares the cash flow generating capacity of H&S assuming it was operating without the benefit of the WET Patent to the projected cash flow of the Company with the benefit of the patent. Useful life of the patent was 15 years according to the following:

- The contractual life of the Patent in excess of 20 years
- Management's expectation for the expected viability of the technology
- Management's expectations regarding the timing of significant substitute technology
- The lack of comparable substitute technologies as of the Valuation Date

Customer Relationship

The customer base held by the Company, acquired by Iofina, is concentrate with the top ten customers representing 74 percent of total sales in 2008. We utilised the discounted cash flow methodology to separately value customer relationships according to projected future earnings and cash flow and discount rate of 18.1 per cent. Useful life was 10 years according to the following:

- Historically low customer attrition rates
- Management's expectation for continued high customer retention rates going forward
- The lack of substitutes in the market for the products and services offered by H&S
- Significant customer concentration

Patent Portfolio

Includes all patents held by H&S related to the production of its iodine derivatives, specifically IPBC. The Fair Value of the Company's general patent portfolio was estimated using the relief from royalty cash-flow methodology of the income approach. Based on our search for technology licensing agreements in the marketplace, we determined that a royalty rate of 1.5 per cent. was appropriate. An 8 year life was applied to the patent portfolio based on the historical life of the portfolio as well as the intended future use of the asset.

EPA Registrations
H&S held multiple EPA registrations as of the Valuation Date for IPBS, Methyl Iodide and Lampricide. We utilised the discounted cash flow method to estimate the present value of lost profits assuming that H&S did not have the registrations and had to enter the application process. Useful life is 2 years based on estimated time necessary to complete a successful application.

Non-Compete Agreements
As part of the acquisition of H&S, Iofina entered into employment agreement which included non-competition clauses with Martin Heineke and Tom Becker. We evaluated each agreement using according to the ability to compete, the feasibility of competition, and the desire to compete. Both agreements are estimated to have a significant ability to compete, a significant feasibility of completion, and a moderate desire to compete.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise.

12. Goodwill

	Goodwill
	£
Cost	
Balance at 31 December 2007	-
Additions	-
Balance at 31 December 2008	-
Additions	1,681,827
Balance at 31 December 2009	1,681,827
Impairment	
Balance at 31 December 2007	-
Charges for the year	-
At 31 December 2008	-
Charges for the year	-
At 31 December 2009	-
Carrying amounts	
At 31 December 2007	-
At 31 December 2008	-
At 31 December 2009	1,681,827

As is disclosed in note 10 above, the valuation of the intangible assets acquired as part of the acquisition was provisional at the time of preparing these accounts. The goodwill of £1,681,827 arising on that acquisition has not yet been allocated across cash generating units and, as a result, no impairment review can be carried out.

13. Property, plant and equipment

	Mobile Iodine Extraction Units & Computer	Office & Construction Equipment	Furniture & Fixtures	Drilling Equipment & Pipeline	Leasehold Improvements	Total
Cost						
Balance at 1 January 2007	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Balance at 31 December 2007	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	929,139		1,988,422	-	2,917,561
Balance at 31 December 2008	**-**	**929,139**	**-**	**1,988,422**	**-**	**2,917,561**
Dispositions	-	(169,690)	-	-	-	(169,690)
Additions	99,432	210,220	-	1,854,262	9,214	2,173,128
Additions from acquisition of H&S Chemical	13,920	185,706	8,141	1,686	37,475	246,929
Balance at 31 December 2009	**113,352**	**945,155**	**8,141**	**3,844,371**	**46,689**	**4,957,708**
Accumulated Depreciation						
Balance at 1 January 2007	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Balance at 31 December 2007	-	-	-	-	-	-
Charges for the year	-	-	-	19,887	-	19,887
At 31 December 2008	**-**	**-**	**-**	**19,887**	**-**	**19,887**
Charges for the year	12,991	131,879	1,826	164,063	2,068	312,827
At 31 December 2009	**12,991**	**131,879**	**1,826**	**183,950**	**2,068**	**332,714**
Carrying amounts						
At 1 January 2007	-	-	-	-	-	-
At 31 December 2007	-	-	-	-	-	-
At 31 December 2008	-	929,139	-	1,968,535	-	2,897,674
At 31 December 2009	**100,361**	**813,276**	**6,315**	**3,660,420**	**44,621**	**4,624,994**

14. Other non-current assets

Other non-current assets of £65,754 are made up of deposits for real estate leases and cash deposits pledged with government agencies to allow for drilling activity.

15. Receivables and prepayments

	31 December 2009 £	31 December 2008 £	31 December 2007 £
Trade receivables	946,742	-	-
Other receivables and prepayments	237,599	20,728	3,922
	1,184,341	20,728	3,922

All receivables and prepayments are short term in nature. The carrying value of other receivables is considered a reasonable approximation of fair value. All receivables have been reviewed and there are no indications of impairment. There is no debt provision, and therefore no movement on the bad debt provision for the year. There are no receivables that are past due.

The Group has not received a pledge of any assets as collateral for any receivable or asset.

16. Inventories

	31 December 2009 £	31 December 2008 £	31 December 2007 £
Inventories	1,452,162	-	-

At year end, there were no provisions against the carrying value of inventories. During the year, the cost of inventories recognised as expense and included in 'cost of sales' amounted to £2,391,845 (2008: £Nil).

17. Cash and cash equivalents

	31 December 2009 £	31 December 2008 £	31 December 2007 £
Cash in US Dollar Accounts	638,730	6,790,275	255,993
Cash in GB Pound Accounts	6,021,595	6,178,403	1,063,288
Cash at bank	6,660,325	12,968,678	1,319,281

18. Other payables

	31 December 2009 £	31 December 2008 £	31 December 2007 £
Trade payables	1,061,266	268,891	58,099
Accrued expenses and deferred income	401,461	374,633	173,176
Total trade and other payables	1,462,727	643,524	231,275

All trade and other payables are considered short term. The carrying values are considered to be a reasonable approximation of fair value.

The Group has not pledged any assets as collateral for any liabilities or contingent liabilities.

19. Deferred tax liability

Deferred Tax Liability	1 January 2009	Recognized in business combinations	31 December 2009
Non-current assets			
Other intangible assets	-	791,799	791,799
Recognized as deferred tax liability	-	791,799	791,799

20. Financial instruments

The Board of directors determines, as required, the degree to which it is appropriate to use financial instruments to mitigate risks. The main risks for which such instruments may be appropriate are interest rate risk, foreign currency risk, credit risk, liquidity risk and commodity risk. The Group has no borrowings. The Group's principal financial instruments are cash, which is invested with major banks.

Financial assets and liabilities

	Book value	Held for trading	Loan and receivables	Financial liabilities carried	Total
2009					
Cash and cash equivalents	6,660,325	-	6,660,325	-	6,660,325
Receivables and prepayments	1,184,341	-	1,184,341	-	1,184,341
					7,844,666
Accounts payable	(1,061,267)	-	-	(1,061,267)	(1,061,267)
Acrruals and deferred income	(1,193,259)	-	-	(1,193,259)	(1,193,259)
					(2,254,526)
2008					
Cash and cash equivalents	12,968,678	-	12,968,678	-	12,968,678
Receivables and prepayments	20,728	-	20,728	-	20,728
					12,989,406
Accounts payable	(268,891)	-	-	(268,891)	(268,891)
Acrruals and deferred income	(374,633)	-	-	(374,633)	(374,633)
					(643,524)
2007					
Cash and cash equivalents	1,319,281	-	1,319,281	-	1,319,281
Receivables and prepayments	3,922	-	3,922	-	3,922
					1,323,203
Accounts payable	(58,099)	-	-	(58,099)	(58,099)
Acrruals and deferred income	(173,176)	-	-	(173,176)	(173,176)
					(231,275)

Interest rate risk

Surplus funds are invested at either floating rates of interest or short-term fixed rates. The benefit of fixing rates for longer term is kept under review having regard to forecast cash requirements and the levels of return available. Given the short term nature of Iofina's financial instruments, the Group has only limited interest rate risk.

Foreign currency risk

The Group has potential transactional currency exposure in respect of items denominated in foreign currencies relating to the Group's administration in the UK. The Group occasionally makes use of dual currency deposits, derivative instruments which combines a money market deposit with a currency option, as a hedge against foreign currency risk.

The Group holds its cash balances in United States dollars to the extent considered appropriate to minimize the effect of adverse exchange rate fluctuations.

Foreign currency denominated financial assets and liabilities, translated into Pounds Sterling at the closing rate are as follows:

	2009		2008	
	USD	**Sterling**	**USD**	**Sterling**
Financial Assets	13,802,425	6,022,499	9,766,649	6,748,755
Financial Liabilities	1,392,721	70,007	270,955	187,230

In order to better illustrate existing currency risks, the effects of hypothetical changes in relevant currencies on net profit and equity, a currency sensitivity analysis was performed. If the Pounds Sterling were up / (down) 10% against the US dollar, the main foreign currency of the Group, as of the balance sheet date, with all other variables remaining the same equity would be £1,138,793 lower (higher).

Credit risk

Because the counterparties to the majority of Iofina's financial instruments are prime financial institutions, Iofina does not expect any counterparty to fail to meet its obligations. Consequently, the maximum exposure is reflected by the amount of trade receivables and other current assets.

Liquidity risk

The Group raises funds as required on the basis of forecast expenditure and inflows over the next twelve months. When necessary, the scope and rate of activity is adjusted to take account of the funds available. Given the short term nature of the Group's financial instruments and the current net asset position, liquidity risk is considered minimal at the current time.

Commodity risk

The Group is exposed to movements in the price of natural gas and its by-products, which may affect the viability of a project. Given that there were minimal sales of commodities during the year 2009, the Group was exposed to a nominal commodity risk.

21. Share capital

		31 December 2009	31 December 2008	31 December 2007
Authorised:				
Ordinary shares of £0.01 each (2008: £0.01 each)	- number of shares	3,000,000,000	3,000,000,000	3,000,000,000
(2007: £0.0033 each)	- nominal value	£10,000,000	£10,000,000	£10,000,000
Allotted, called up and fully paid:				
Ordinary shares of £0.01 each (2008: £0.01 each)	- number of shares	105,193,726	93,816,114	66,361,582
(2007: £0.0033 each)	- nominal value	£1,051,938	£938,161	£221,205

During the year ended 31 December 2009, the Company raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each (the "Placing Shares"), at a price of 55p per share (the "Placing"). Also, in conjunction with the purchase of H&S Chemical, the Company issued an additional 736,314 new ordinary shares. In addition, the Company's broker exercised warrants of 1,551,298 ordinary shares of 1p each in the Company ("Ordinary Shares").

Following the last admission of the new Ordinary Shares, the total number of voting rights in the Company's Ordinary Shares will be 105,193,739.

Balance at 31 December 2007	**66,361,582**
Additions from May 2008 Placing	27,454,545
Balance at 31 December 2008	**93,816,127**
Additions from February 2009 Placing	9,090,000
Additions from H&S Acquisition	736,314
Additions from Warrant Exercise	1,551,298
Balance at 31 December 2009	**105,193,739**

22. Share-based payments

During the year ended 31 December 2009, the Company issued no share based payments. During the year ended December 31, 2008 the company issued warrants to Mirabaud Securities Limited and Strand Partners in conjunction with the Company's share placing. The fair value of these warrants was determined using the Black-Scholes pricing model.

The Group charged against the share premium account a total of £nil (2008: £418,407) related to this transaction. In 2008, during the period, the Company also issued stock options to employees and directors of the Group. The fair value of these warrants was also determined using the Black-Scholes pricing model. Expected volatility was determined by averaging the volatility of five of the Group's peers. The Group expensed to the income statement a total of £nil (2008: £78,451) related to these transactions.

The inputs to the Black-Scholes based model are as follows:

Weighted average share price at date of grant:	£0.55
Weighted average exercise price	£0.55
Weighted average expected volatility	66.6%
Weighted average expected life	3 years
Risk free rate	4.69%

Details of the number of share warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2009	
	Number of warrants	**WAEP £**
Outstanding at the beginning of the year	2,078,571	0.54
Exercised during the year	(1,551,298)	(0.54)
Outstanding at the end of the year	527,273	0.54
Exercisable at the end of the year	527,273	0.54

23. Related party transactions

The Group's related parties include, key management, post-employment benefit plans for the Group's employees and others as described below.

The Group obtained consulting from Water Analysis Technology (WAT, Inc), a Corporation owned by the father of the Group's CEO. The total paid to WAT, Inc in 2009 was £102,889. The Group also purchased equipment from Taiji USA, Inc; a company that the CEO of the Group has ownership interest in, the equipment purchased totalled £77,045. In addition, the Group accrued an additional £55,469 based for equipment it had ordered from Taiji but not yet been invoiced for.

The Group was provided office services by Excellence by Nature, LLC; a company that the wife of the Group's CEO owned, payments totalled £3,626 for 2009. In addition, Iofina Chemical leased office space in the Kentucky from Schneider Family Real Estate, LLC (SFRE, LLC), a company that the family of the CEO of Iofina PLC owns. This office lease totalled £41,273 for 2009.

The Group purchased, manufactured and sold certain chemical products from/to Schneider Advanced Technologies, LLC (SAT), a company owned by the family of the CEO of the Group, total purchases from SAT were £4,960 and total sales were £20,090.

The Group also hired the brother of the Group's CEO, Michael Schneider. Total compensation paid to Michael Schneider for 2009 was £16,320 for environmental and management services.

Unless otherwise stated, none of the transactions incorporate special terms and IAS 24.17(b)(ii) conditions and no guarantees were given or received. Outstanding balances are disclosure.

24. Leases

The Group leases space for administrative and manufacturing purposes under two agreements. Remaining life of the leases are ten months and a 32 months. At the balance sheet date the minimum payments are £149,156 (2008: £53,176) for the next 12 months and £328,233 (2008: £103,423) for the remaining life of the lease. The leases are strictly for the use of improved realty on a stated payment, certain basis and contain no contingent, purchase or renewal clauses.

25. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary, by issuing new shares.

26. Post balance sheet events

After the year end, on 12 January 2010, Forest Dorn was appointed to the Board of Directors. On 7 March 2010 Lance Baller was promoted from Finance Director to Chief Executive Officer. On 17 March 2010, David Schneider resigned from the Board of Directors.

In addition, post balance sheet, the Group has announced several contracts with third party oil and gas operators to extract iodine from their brine streams. These contracts represent a significant new revenue opportunity for the Group.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF IOFINA PLC - COMPANY

Independent auditor's report to the members of Iofina Plc

We have audited the parent company financial statements of Iofina Plc for the year ended 31 December 2009 which comprise the company balance sheet, the company statement of changes in shareholders' equity, the company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Iofina Plc for the year ended 31 December 2009.

Tracey James

Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
OXFORD

2 June 2010

IOFINA PLC

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2009

		31 December 2009 £	31 December 2008 £
Assets			
Investment in subsidiary undertakings	C2	10,651,165	430,328
Loan to subsidiaries	C3	3,403,417	3,814,556
Total non-current assets		14,054,582	4,244,884
Other receivables and prepayments	C4	905	20,728
Cash and cash equivalents	C5	6,065,071	12,387,738
Total current assets		6,065,976	12,408,466
Total assets		20,120,558	16,653,350
Liabilities			
Payable to Subsidiaries		-	739,689
Trade and other payables	C6	70,007	133,659
Total current liabilities		70,007	873,348
Equity			
Issued share capital		1,051,938	938,161
Share premium		20,584,760	14,537,403
Share-based payment reserve		516,884	516,884
Retained earnings		(2,103,031)	(212,446)
Total equity		20,050,551	15,780,002
Total equity and liabilities		20,120,558	16,653,350

The financial statements were approved by the Board and were signed on its behalf on 2 June 2010.

L J Baller

Director

Company number: 05393357

IOFINA PLC
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share based payment reserve	Retained loss	Total equity
	£	£	£	£	£
Balance at 1 January 2008	**221,205**	**1,685,233**	**20,025**	**(359,357)**	**1,567,106**
Transactions with owners					
New share capital subscribed	716,956	14,383,044	-	-	15,100,000
Share issue costs	-	(1,530,874)	-	-	(1,530,874)
Share-based payment reserve	-	-	496,859	-	496,859
Total transactions with owners	**716,956**	**12,852,170**	**496,859**	**-**	**14,065,985**
Recognised income and expense for the year					
Profit/(Loss) for the year	-	-	-	146,911	146,911
Total recognised income and expense for the year				**146,911**	**146,911**
Balance at 31 December 2008	**938,161**	**14,537,403**	**516,884**	**(212,446)**	**15,780,002**
Transactions with owners					
New share capital subscribed	113,777	6,325,023	-	-	6,438,800
Share issue costs	-	(277,666)	-	-	(277,666)
Share-based payment reserve	-	-	-	-	-
Total transactions with owners	**113,777**	**6,047,357**	**-**	**-**	**6,161,134**
Recognised income and expense for the year					
Profit/(Loss) for the year	-	-	-	(1,890,585)	(1,890,585)
Total recognised income and expense for the year				**(1,890,585)**	**(1,890,585)**
Balance at 31 December 2009	**1,051,938**	**20,584,760**	**516,884**	**(2,103,031)**	**20,050,551**

IOFINA PLC

COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Cash flows from operating activities		
Profit/(Loss) after taxation	(1,890,585)	146,911
Adjustments for:		
Investment income	(54,599)	(713,459)
Interest expense	-	-
	(1,945,184)	(566,548)
Decrease/(Increase) in other receivables and prepayments	19,823	(18,585)
(Decrease)/Increase in trade and other payables	(63,652)	(70,673)
Cash generated from operations	(1,989,013)	(655,806)
Interest paid	-	-
Net cash outflow from operating activities	(1,989,013)	(655,806)
Cash flows from investing activities		
Interest received	54,599	713,459
Acquisition of subsidiary undertakings	(5,059,505)	-
Loan to subsidiaries	(4,881,082)	(3,505,187)
Loan from subsidiaries	-	706,000
Net cash outflow from investing activities	(9,885,989)	(2,085,728)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	5,830,000	15,100,000
Cost of issue of ordinary share capital paid	(277,666)	(1,034,015)
Net cash inflow from financing activities	5,552,334	14,065,985
Net increase in cash and cash equivalents	(6,322,667)	11,324,451
Cash and cash equivalents at beginning of year	12,387,738	1,063,287
Cash and cash equivalents at end of year	6,065,071	12,387,738

NOTES TO THE COMPANY FINANCIAL STATEMENTS

The accounting policies and notes 11, 16, 17, 18 and 20 in the Group financial statements also form part of the Company financial statements.

C1. Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:-

a) Company income statement
As permitted by Companies Act of 2006, the income statement of the Company has not been separately presented in these financial statements.
b) Subsidiary investments
Investments in subsidiary undertakings are stated at cost less any impairment losses.

C2 Investment in subsidiaries

	Investment in subsidiary £
Cost	
Balance at 31 December 2008	**430,328**
Additions	374,217
Addition from acquisition	5,668,305
Balance at 31 December 2009	**6,472,850**
	Permanent Loan
Balance at 31 December 2008	-
Capitalisation of loans to subsidiary	4,178,315
Balance at 31 December 2009	**4,178,315**

C3 Loan to subsidiaries

	Loan to subsidiary £
Cost	
Balance at 31 December 2008	3,814,556
Loans capitalised	(4,178,315)
Additions	3,767,176
Balance at 31 December 2009	**3,403,417**

In addition to its equity investments in subsidiaries, the Company has advanced funds to its subsidiaries for working capital purposes.

C4 Other receivables and prepayments

	31 December 2009 £	31 December 2008 £
Other receivables	905	20,728

All receivables and prepayments are short term in nature. The carrying value of other receivables is considered a reasonable approximation of fair value. All receivables have been reviewed and there are no indications of impairment. There are no receivables that are past due.

The Group has not received a pledge of any assets as collateral for any receivable or asset.

C5 Cash and cash equivalents

	31 December 2009 £	31 December 2008 £
Cash at bank	6,065,071	12,387,738

C6 Trade and other payables

	31 December 2009 £	31 December 2008 £
Trade payables	28,693	81,659
Accrued expenses and deferred income	41,314	52,000
	70,007	133,659

All trade payables are considered short term. The carrying values are considered a reasonable approximation of fair value.

The Group has not pledged any assets as collateral for any liabilities or contingent liabilities.

C7 Subsidiary undertakings

	Country of Incorporation and operation	Principal activity	Iofina plc Interest 2009
Iofina Inc	United States	Holding company	100%
Iofina Natural Gas Inc	United States	Exploration	100%
Iofina Chemical Inc	United States	Specialty chemical	100%

Iofina Inc was established in February 2006 and is a wholly owned subsidiary of Iofina plc. Iofina Inc owns the whole of the issued share capital of Iofina Natural Gas Inc and Iofina Chemical Inc.

C8 Financial instruments

The Board of directors determines, as required, the degree to which it is appropriate to use financial instruments to mitigate risks. The main risks for which such instruments may be appropriate are interest rate risk, foreign currency risk, credit risk, liquidity risk and commodity risk as set out in note 18 to the Group accounts. The Company has no borrowings. The Company's principal financial instruments are cash, which is invested with major banks.

Financial assets and liabilities

	Book value	Held for trading	Loan and receivables	Amortised cost	Non financial asset/(liability)	Total
2009						
Cash and cash equivalents	6,065,071	-	6,065,071	-	-	6,065,071
Accounts receivable	905	-	905	-	-	905
Loan to subsidiaries	3,403,417	-	-	3,403,417		3,403,417
Investment in subsidiaries	10,651,165	-	-	-	10,651,165	10,651,165
						20,120,558
Accounts payable	28,693	-	-	28,693	-	28,693
Accruals and deferred income	41,314	-	-	41,314	-	41,314
						70,007
2008						
Cash and cash equivalents	12,387,738	-	12,387,738	-	-	12,387,738
Accounts receivable	20,728	-	20,728	-	-	20,728
Loan to subsidiaries	3,814,556	-	-	3,814,556		3,814,556
Investment in subsidiaries	4,244,884	-	-	-	430,328	430,328
						16,653,350
Accounts payable	81,659	-	-	81,659	-	81,659
Acrruals and deferred income	52,000	-	-	52,000	-	52,000
						133,659

Credit risk

Because the counterparties to the majority of Iofina's financial instruments are prime financial institutions, Iofina does not expect any counterparty to fail to meet its obligations. Consequently, the maximum exposure is reflected by the amount of trade receivables and other current assets.

Foreign currency risk

The Company has potential transactional currency exposure in respect of items denominated in foreign currencies. The Company occasionally makes use of dual currency deposits, derivative instruments which combines a money market deposit with a currency option, as a hedge against foreign currency risk.

The Company holds its cash balances in United States dollars to the extent considered appropriate to minimize the effect of adverse exchange rate fluctuations.

Foreign currency denominated financial assets and liabilities, translated into Pounds Sterling at the closing rate are as follows:

	2009		2008	
	USD	**Sterling**	**USD**	**Sterling**
Financial Assets	43,476	9,425,916	6,209,336	10,013,686
Financial Liabilities	-	70,007	-	133,659

In order to better illustrate existing currency risks, the effects of hypothetical changes in relevant currencies on net profit and equity, a currency sensitivity analysis was performed. If the Pounds Sterling were up / (down) 10% against the US dollar, the main foreign currency of the Group, as of the balance sheet date, with all other variables remaining the same equity would be £4,348 lower (higher).

C9 Related parties

The Company has entered into a number of unsecured related party transactions with its subsidiary undertakings. The most significant transactions carried out between the Company and its subsidiary undertakings are mainly financing. Amounts owed from these entities are detailed in note C3.

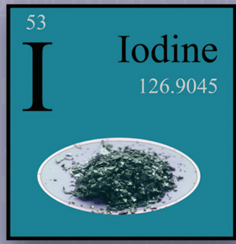
In addition, Iofina Natural Gas provided the Company with management, financial and administrative services. In 2009, the Company paid £706,000 (2008: £706,000).

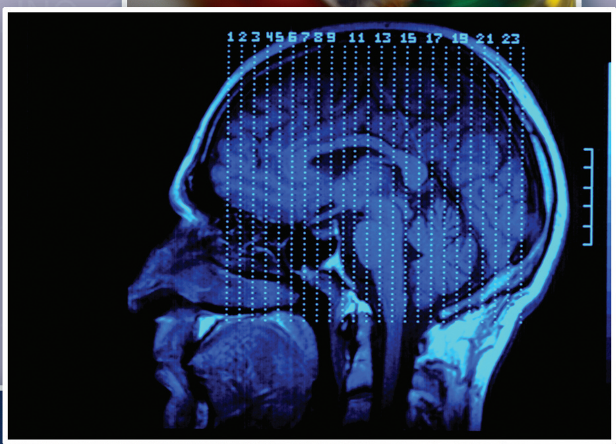
Iofina and the Environment

Iofina promotes, wherever possible, environmental sustainability in its working practices and seeks to minimise, mitigate or remedy, any harmful effects from the Company's operations on the environment at each of its operational sites. To continue that effort through all aspects of business, this report has been produced to minimise its effect on the environment by using thinner paper, less pages, smaller type set and non-colour printing as much as possible. To this effort Iofina is trying to move attention to its online annual reports available at **www.Iofina.com**. By being a better steward of the environment, Iofina saves valuable shareholder funds instead of producing glossy magazine pages throughout the whole document.

Iofina

Technology Leaders In Iodine®





Iodine is essential for life and industry.

Iodine compounds improve imaging contrast in the body when used with CT scans, MRI's and X-rays helping doctors diagnose patients more effectively.

Iodine compounds are added to paints and protective coatings because they are effective in preventing the growth of molds and other pathogens.

Iodine compounds are added to cosmetics products for the prevention of growth and transfer of harmful bacteria.

Iodine formulations protect dairy cows and humans from infections that can be transferred through milk.

Iodine compounds are used to manufacture high-tech LCD displays allowing for superior image quality.

Iodine derivatives are used to produce many essential pharmaceuticals which provide doctors with powerful new drugs to fight disease.

Iodine compounds are used as a more effective tool in controlling pathogens and weeds in food crops due to its lack of ozone layer depleting properties. Iodine compounds remain in the lower atmosphere for only four to eight days while former alternatives can remain in the upper atmosphere for up to two years.

Iodine is supplemented to table salt thereby insuring adequate daily intake of this vital micro nutrient.

Insufficient iodine causes Iodine Deficiency Disorder (IDD) IDD has been medically proven to cause cretinism, goiter (enlargement of the thyroid gland) and depressed intellectual function in children and adults which affects more than 600 million people worldwide.

Iodine is an essential element touching our lives every day.

Technology Leaders In Iodine®

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