



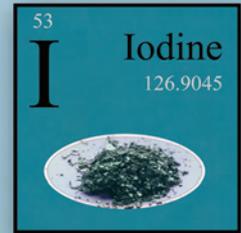
IOFINA plc

Placing and Admission to AIM

NOMINATED ADVISER
Strand Partners Limited

BROKER
Mirabaud Securities Limited





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 thereby helping doctors to diagnose patients more effectively.

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

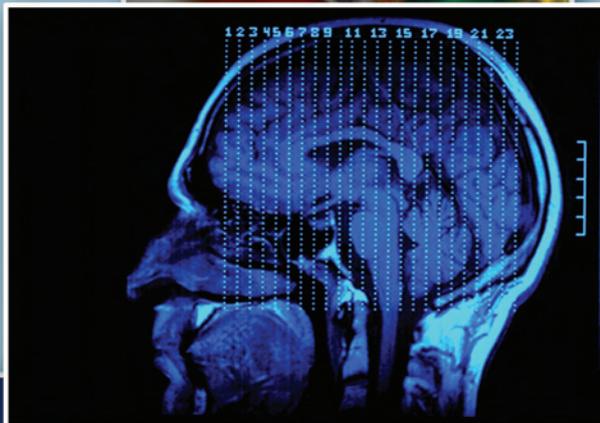
Iodine derivatives are used to produce many essential pharmaceuticals which provide doctors with powerful new drugs to fight disease.

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

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

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

Iodine is an essential element touching our lives every day.



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART II OF THIS DOCUMENT.

The Company and the Directors, whose names appear on page 11 of this document, accept responsibility, individually and collectively, for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription made pursuant to it will, under any circumstances, create any implication that there has been any change in the affairs of the Group since the date of this document or that the information in it is correct at any time subsequent to its date.

This document does not comprise a prospectus and has not been filed with the Financial Services Authority, but comprises an AIM admission document and has been prepared in accordance with the AIM Rules for Companies. Application will be made in accordance with the AIM Rules for Companies for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that such application will become effective and that dealings will commence on 9 May 2008.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to trading on the Official List. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt in on any recognised investment exchange and, apart from the application for Admission, no other such applications have been or are intended to be made.

IOFINA PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5393357)

Placing of 27,454,545 Ordinary Shares of 1p each at a price of 55p per Ordinary Share

Admission to trading on AIM

Nominated Adviser

STRAND PARTNERS LIMITED

Broker

MIRABAUD SECURITIES LIMITED

Share Capital on Admission

	<i>Authorised</i>		<i>Issued and fully paid on Admission</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Ordinary Shares of 1p each	1,000,000,000	£10,000,000	93,816,114	£938,161.14

Strand Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser to the Company in connection with the proposed admission of the Enlarged Issued Share Capital to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. Mirabaud, which is authorised and regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange, is acting as broker to the Company in connection with the Placing and proposed admission of the Enlarged Issued Share Capital to trading on AIM. Strand Partners and Mirabaud are not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to their clients or for providing advice in relation to the contents of this document or the Placing or Admission. No representation or warranty, express or implied, is made by either Strand Partners or Mirabaud as to the contents of this document, without limiting the statutory rights of any person to whom this document is issued. Neither Strand Partners nor Mirabaud will be offering advice, nor will they otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

This document should not be copied or distributed by recipients and, in particular, should not be distributed by any means including electronic transmission, to persons with addresses in Canada, Australia, Republic of Ireland, Republic of South Africa or Japan, their possessions or territories or to any of their citizens, or to any corporation, partnership or such entity created or organised under their laws. This document should not be copied or distributed by any means, including electronic transmission, to persons with addresses in the United States to or for the account or benefit of a US person, unless the Company and the recipient are relying on an exemption under the United States Securities Act of 1933, as amended. Any such distribution contrary to the above could result in a violation of the laws of such countries. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

CONTENTS

	<i>Page</i>
Key Information	3
Expected Timetable of Principal Events	5
Placing Statistics	5
Definitions	6
Glossary of Selected Technical Terms	9
Directors, Secretary and Advisers	11
Part I Information on the Group	13
Part II Risk Factors	29
Part III Section A – Competent Person’s Report	36
Section B – Iodine Expert’s Report	81
Part IV Section A – Accountants’ Report on the Group	100
Section B – Financial Information on the Group	102
Part V Additional information	117

KEY INFORMATION

The following summary information is derived from the full text of this document and does not purport to be complete and should be read in conjunction with the more detailed information appearing elsewhere in this document. This summary may not contain all of the information that is important to investors or that investors should consider before purchasing Ordinary Shares. Investors should read the whole of this document and not just rely on summary information. In particular, the attention of prospective investors is drawn to the information in Part II entitled “Risk Factors”. This information should be considered carefully before deciding whether to purchase Ordinary Shares.

Iofina is the holding company of a group of companies involved in the exploration and production of both iodine and natural gas which have been discovered on acreages which the Group acquired, or is currently acquiring, within the Atlantis Prospect in the state of Montana, USA. The leases held give the Group the right to explore, drill and produce both iodine and natural gas. The natural gas co-exists with formation water containing abnormally high levels of dissolved iodide. Iodine is a rare mineral in North America, which has resulted in the US becoming a major net importer to meet growing domestic demand from pharmaceutical and industrial manufacturers.

The Directors believe that the shallow nature and artesian characteristics of the Atlantis Prospect will enable an aggressive drill schedule to be pursued from Admission with each well producing both natural gas and iodine. The Group’s proprietary Wellhead Extraction Technology™ (WET™) method will allow low cost production metrics and high operational efficiencies compared to other large gas/iodine fields in Mobara, Japan and Oklahoma, USA.

The Directors believe that Iofina’s low cost development strategy and its dual revenue streams from iodine and natural gas are expected to provide both excellent margins and reduced revenue volatility since the two product streams relate to separate unrelated market conditions. In addition, the Group’s strategy of processing water for iodine, thereby ‘converting cost into cashflow™’ presents a more attractive business model when compared to pure gas producers. The Group intends to become a leading global iodine producer and the largest single producer of iodine in North America within five years.

The Company is proposing to raise £15.1 million (before expenses) through the Placing. The net proceeds of the Placing will provide funding principally for drilling, production and extraction operations. The remainder of the funds will be applied towards acquiring additional leases and further working capital to support the growth and development of the Group’s business.

Key Highlights

- Iofina has acquired over 30,000 acres in the Atlantis Prospect with leasing rights for the production of both gas and iodine. The Atlantis Prospect is an unconventional natural gas resource located between two of the most significant biogenic gas fields in North America which so far have produced 6.5Tcf valued at over US\$67.8 billion at current prices. The water bearing nature of the structure has historically made the Atlantis Prospect difficult to commercialise for traditional E&P companies but the Group’s ability to generate revenues from the extraction of iodine from the water will allow a profitable business model to be pursued.
- The gas/water deposits are shallow and can flow naturally under artesian pressure which substantially lowers drilling and artificial lift costs. The Directors intend to use the latest technology in sonic drilling techniques to drill wells rapidly for c.\$50,000 per well.
- The Group has co-developed a proprietary Wellhead Extraction Technology™ (WET™) method, in association with H&S Chemical, that extracts iodine out of water at over 50 per cent. less cost than current industry standards which the Directors believe will give the Group a significant competitive cost advantage over other global iodine producers. The technology has been proven in field producing commercial grade iodine.

- The water found in the Atlantis Prospect contains an abnormally high concentration of iodine (47–55 ppm) which is 1,000 times the level typically found in sea water. MHA, the Competent Person, estimates that as of 1 February 2008 and, based on Iofina’s core c.28,000 acres, Iofina has 100.6 million kg of iodine in place, making the Atlantis Prospect the largest known iodine resource in North America.
- Iodine is a rare element that is only produced in a few countries in the world with over 89 per cent. coming from Chile (60 per cent.) and Japan (29 per cent.). Supply is relatively restricted due to its scarcity and the fact that Japan and the United States’ ability to operate at full capacity is now limited by the lack of iodine-rich brine constant streams to existing production facilities. As a result production from the current major sources will continue to decline. Meanwhile demand is growing at 6.6 per cent. per annum driven by a combination of increased usage in a wide variety of sectors from pharmaceuticals, manufacturing (LCD screens), medical imaging, cosmetics, biocides in paints and pesticides as well as the emergence of new uses for iodine and greater consumption from developing countries such as India and China. The price of iodine has doubled since 2003 to a current level of around \$28/kg.
- The US accounts for just five per cent. of global iodine production, from one site in Oklahoma. Given the strong demand from domestic end-users, the US imports approximately 72 per cent. of its annual requirements. Based on the current acreage and planned drill strategy, Iofina could become the largest producer of iodine in the US within five years and the only independent producer, with the other three producers in the US having been bought by Japanese producers.
- The US domestic market for natural gas is strong and growing. The Atlantis Prospect is well located to supply the US markets and the local infrastructure is highly developed given the extensive gas production in the surrounding Medicine Hat and Tiger Ridge fields. Iofina owns a four mile pipeline ultimately linking to the TransCanada pipeline. MHA estimates that, based on Iofina’s core c.28,000 acres, the Group has 155.6Bcf of natural gas in place.
- The extraction strategy is based around an efficient cluster approach with a number of local wells feeding the gas/brine stream into a central single collection/processing point. The commercially ready gas is separated from the brine and sent straight to the pipeline. The brine is then run through the WET™ method where the iodine is collected directly onto the resin column and the water is re-injected. A similar process has been used for over 50 years in Japan’s Southern Kanto gas and iodine field.
- All of the assumptions described in this document are based only on the c.28,000 acres leased by the Group as at 1 February 2008. The Group has identified and is acquiring portions of the remaining 270,000 acres in the Atlantis Prospect which the Directors believe have similarly favourable saturations of iodine and natural gas. The Directors believe that there are other iodine/gas formations around the world that Iofina’s know how and leadership could be profitably applied to either solely or via joint ventures.
- The management and non-executive Directors of Iofina have strong track records in both oil and natural gas discovery/production, as well as iodine processing and sales. David Schneider, the Company’s Chief Executive Officer, has profitably produced iodine derivatives for over the last 20 years. The iodine derivatives market is estimated to be worth \$2.5-3 billion per annum, offering substantial profit margins to participants.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	2 May 2008
Payment to be received from Placees pursuant to the Placing in cleared funds	9 May 2008
Admission effective and dealings to commence in the Ordinary Shares on AIM	9 May 2008
CREST accounts to be credited (where applicable)	9 May 2008
Definitive share certificates for the Placing Shares to be despatched (where applicable)	by 16 May 2008

PLACING STATISTICS

Number of Existing Ordinary Shares	66,361,569
Placing Price	55p
Number of Placing Shares	27,454,545
Number of Ordinary Shares in issue on Admission	93,816,114
Percentage of the Enlarged Issued Share Capital represented by the Placing Shares	29.26 per cent.
Percentage of the Enlarged Issued Share Capital held by the Directors on Admission	29.25 per cent.
Gross proceeds of the Placing	£15.1 million
Estimated proceeds of the Placing receivable by the Company (net of expenses)	£13.7 million
Market capitalisation of the Company on Admission at the Placing Price	£51.60 million
ISIN	GB00B2QL5C79

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“1985 Act”	the Companies Act 1985 (as amended)
“2006 Act”	the Companies Act 2006
“the Acts”	the 1985 Act and the 2006 Act
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules for Companies”	the rules of the London Stock Exchange governing admission to, and operation of, companies on AIM
“AIM Rules for Nominated Advisers”	the rules of London Stock Exchange governing the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers on AIM
“Articles”	the articles of association of the Company
“Atlantis Prospect”	the initial field which the Group discovered comprising over 300,000 net acres located in North Montana
“Board” or “Directors”	the directors of the Company, whose names are set out on page 11 of this document
“Combined Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council from time to time
“Company” or “Iofina”	Iofina plc, incorporated in England and Wales, with registered number 05393357
“Competent Person” or “MHA”	MHA Petroleum Consultants, Inc.
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“Disclosure and Transparency Rules”	the Disclosure Rules and Transparency Rules made by the Financial Services Authority pursuant to section 73A of the FSMA
“Enlarged Issued Share Capital”	the Existing Ordinary Shares and the Placing Shares
“Existing Ordinary Shares”	the 66,361,569 Ordinary Shares in issue at the date of this document
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales
“Executive Directors”	each of Dr. David J. Schneider and Lance J. Baller
“FSMA”	the Financial Services and Markets Act 2000 (as amended)

“Group”	the Company and its subsidiary undertakings
“HMRC”	Her Majesty’s Revenue and Customs
“Iodine Expert”	Armour Associates, Ltd.
“London Stock Exchange”	London Stock Exchange plc
“Mirabaud”	Mirabaud Securities Limited (company number 02887600), the Company’s broker
“Non-executive Directors”	each of Jeff P. Ploen and Dr. Chris Fay, CBE
“Official List”	the Official List of the UKLA
“Old Shares”	the ordinary shares of 1/3p each in the capital of the Company of which every three were consolidated into one Ordinary Share of 1p as described in paragraph 2.1(f) of Part V of this document
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placees”	subscribers for Placing Shares
“Placing”	the conditional placing of the Placing Shares by Mirabaud as agent for and on behalf of the Company pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 2 May 2008 and made between (1) the Company (2) the Directors (3) Strand Partners and (4) Mirabaud relating to the Placing, further details of which are set out in paragraph 10 of Part V of this document
“Placing Price”	55 pence per Placing Share
“Placing Shares”	the 27,454,545 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing
“QCA Guidelines”	the Quoted Companies Alliance Corporate Governance Guidelines for AIM Companies
“Registrar”	Capita Registrars Limited
“Share Dealing Code”	the code on dealings in the Company’s securities adopted by the Company
“Shareholder”	a holder of Ordinary Shares
“Share Option Scheme”	the share option scheme adopted by the Company, details of which are set out in paragraph 8 of Part V of this document
“Strand Partners”	Strand Partners Limited (company number 02780169), the Company’s nominated adviser (as defined in the AIM Rules for Companies)
“subsidiary” and “subsidiary undertaking”	each have the meaning given by the 2006 Act
“Takeover Code”	the City Code on Takeovers and Mergers published by The Panel on Takeovers and Mergers
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

“UKLA” or “United Kingdom Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”, “USA” or “United States”	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
“US person”	a citizen or permanent resident of the United States, as defined in Regulation S promulgated under the United States Securities Act 1933, as amended
“US\$” or “\$”	US dollars, the lawful currency of the US
“VAT”	UK value added tax
“Warrants”	warrants over an aggregate of 1,600,000 Ordinary Shares issued by the Company and described in paragraphs 2 and 10 of Part V of this document.
“£”	UK pounds, the lawful currency of the United Kingdom

GLOSSARY OF SELECTED TECHNICAL TERMS

The following expressions in this document have the following meanings unless the context otherwise requires or unless otherwise provided:

anion	negatively charged ions, formed when an atom gains electrons in a reaction
artesian	a confined aquifer containing groundwater that will flow upwards out of a well without the need for pumping
aquifer	an underground layer of water-bearing permeable rock
bbl	a barrel, 42 US gallons liquid volume or 0.15899 cubic meters (9,702 cubic inches)
bbls	more than one bbl
Bcf	one billion cubic feet of natural gas
biogenic	a substance produced by life processes
bpd	bbl per day
BTU	British Thermal Unit
bottomhole pressure	the pressure at the bottom of a borehole, which is caused by the hydrostatic pressure of the wellbore fluid
caliche	a hardened deposit of calcium carbonate
column	a cylindrical device that holds the anion exchange resin
core analysis	laboratory analysis of a core sample that may determine porosity, permeability, lithology, fluid content, angle of dip, geological age, and probable productivity of the formation
DD&A	depreciation, depletion and amortisation
dissolved gas	natural gas that is in solution with water in the reservoir
drill	to bore a hole in the earth, usually to find and remove subsurface formation fluids
E&P	exploration and production
formation	an identifiable single geologic horizon
G&A	general and administrative expenses
gas lift	the process of lifting fluid from a well by injecting gas down the well through tubing
gross acres or gross wells	the total acres or wells, as the case may be, in which a working interest is owned
injection well	a well through which spent fluids are injected into an underground stratum
iodine	a chemical element that has the symbol "I"
kilogram (kg)	one thousand grams

kgld	kg per day
lithology	the macroscopic nature of the mineral content, grain size, texture and colour of rocks
mg/L	milligrams per litre
mmbtu	one million BTU
Mcf	one thousand cubic feet of natural gas
Mcf/d	Mcf per day
MMcf	one million cubic feet of natural gas
MMcf/d	MMcf per day
MT	metric tonne or tonne de metrice, is a measurement of mass equal to 1,000 kilograms
NaI	sodium iodide
OGIP	Original Gas In Place
permeability	a measure of the ease with which a fluid flows through the connecting pore production
pH	a measure of the acidity or alkalinity of a solution
pilot well	a well drilled to find and produce oil or gas in an unproved area, or to extend a known reservoir
porosity	the percentage of pore volume or void space, or that volume within rock that can contain fluids
ppm	parts per million
pump	a device that increases the pressure on a fluid or raises it to a higher level
royalty interest	an interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production
scf	standard cubic foot
Tcf	one trillion cubic feet
µg	one millionth of a gram
WET™	registered service mark of Iofina for in field Wellhead Extraction Technology™ method

DIRECTORS, SECRETARY AND ADVISERS

Directors	Jeffrey Paul Ploen (Non-executive Chairman) David John Schneider, Ph.D. (President & Chief Executive Officer) Lance Jason Baller (Finance Director) Christopher Ernest Fay CBE, Ph.D, BSc, C.Eng, FREng, FRSE, FICE, FEI (Non-executive Deputy Chairman)
Business address of the Directors	8480 East Orchard Road Suite 3600 Greenwood Village CO 80111 United States
Company secretary	Lance Jason Baller
Registered office	82 St. John Street London EC1M 4JN
Nominated Adviser	Strand Partners Limited 26 Mount Row London W1K 3SQ
Broker	Mirabaud Securities Limited 21 St. James's Square London SW1Y 4JP
Solicitors to the Company	Osborne Clarke One London Wall London EC2Y 5EB
Counsel to the Company as to US law	Michael A. Littman Attorney at Law 7609 Ralston Road Arvada CO 80002 United States
Solicitors to the Nominated Adviser and Broker	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA
Auditors and Reporting Accountants	Grant Thornton UK LLP Explorer Building Fleming Way Manor Royal Crawley RH10 9GT
Iodine Expert	Armour Associates, Ltd. 185 Haywood Knolls Drive Henderson NC 28791 United States
Competent Person	MHA Petroleum Consultants, Inc. Suite 190 14142 Denver West Pky Lakewood CO 80401 United States

Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Company website	www.iofina.com
ISIN	GB00B2QL5C79
AIM Symbol	IOF

PART I

INFORMATION ON THE GROUP

1. Introduction

Iofina is the holding company of a group of companies involved in the exploration and production of iodine and natural gas which have been discovered on acreages which the Group has acquired, or is currently acquiring, in the state of Montana, USA. The Company has named its discovery the Atlantis Prospect. The natural gas co-exists with formation water containing relatively high levels of dissolved iodide. Iodine is a rare mineral, which the US currently imports to meet growing domestic demand from pharmaceutical and industrial manufacturers. The leases held by the Group give it the right to explore, drill and produce both iodine and natural gas. The Directors believe that the dual revenue streams of iodine and gas, together with the relatively low cost extraction process, will create an attractive business model with substantial strategic value.

The Company is proposing to raise £15.1 million (before expenses) through the Placing. The net proceeds of the Placing will provide funding principally for drilling, production and extraction operations. The remainder of the funds will be applied towards acquiring additional leases both within and outside the Atlantis Prospect and to provide working capital to support the growth and development of the Group's business.

2. History and Development

Iofina was incorporated on 15 March 2005 in the UK and registered in England and Wales. In January 2006, the Group acquired the entire issued share capital of Iofina Inc. and its wholly owned subsidiary Iofina Natural Gas Inc., each of which is a Colorado corporation, with the objective of becoming a low cost producer of iodine and natural gas. Iofina Chemical Inc., a Colorado corporation, was created as the specialty chemical division of Iofina Inc. in May 2006.

The Atlantis Prospect is located between two of the most significant biogenic gas fields in North America (see Figure 1), which have so far produced a total of 6.5 Tcf, valued at US\$67.8 billion at current prices. Since its incorporation, the Group has steadily acquired over 30,000 net acres of land in northern Montana (see Figures 1 & 2), on which a major aquifer containing natural gas has been discovered in the Eagle and Virgelle Formations, sedimentary formations of Cretaceous age lying at depths of 1,000 to 1,500 feet below the surface (see Figure 3). This unconventional, shallow natural gas resource can only be produced in conjunction with large volumes of formation water, and consequently the industry has previously struggled to commercialise gas discoveries in the area. The formation water is an unusual sodium chloride brine with high concentrations of iodide but relatively low levels of dissolved salts (approximately 6,500 mg/L), and has no contaminants or hydrocarbons other than methane, thereby reducing processing costs. Iofina intends to produce natural gas along with water, but to also extract the high levels of iodine which the formation water contains.

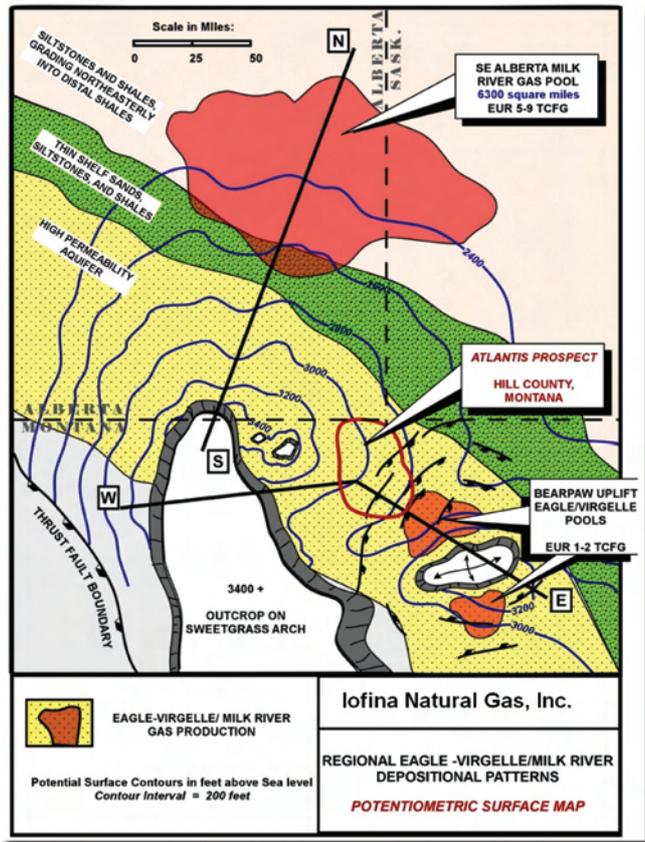


Figure 1: Regional Location of the Atlantis Prospect

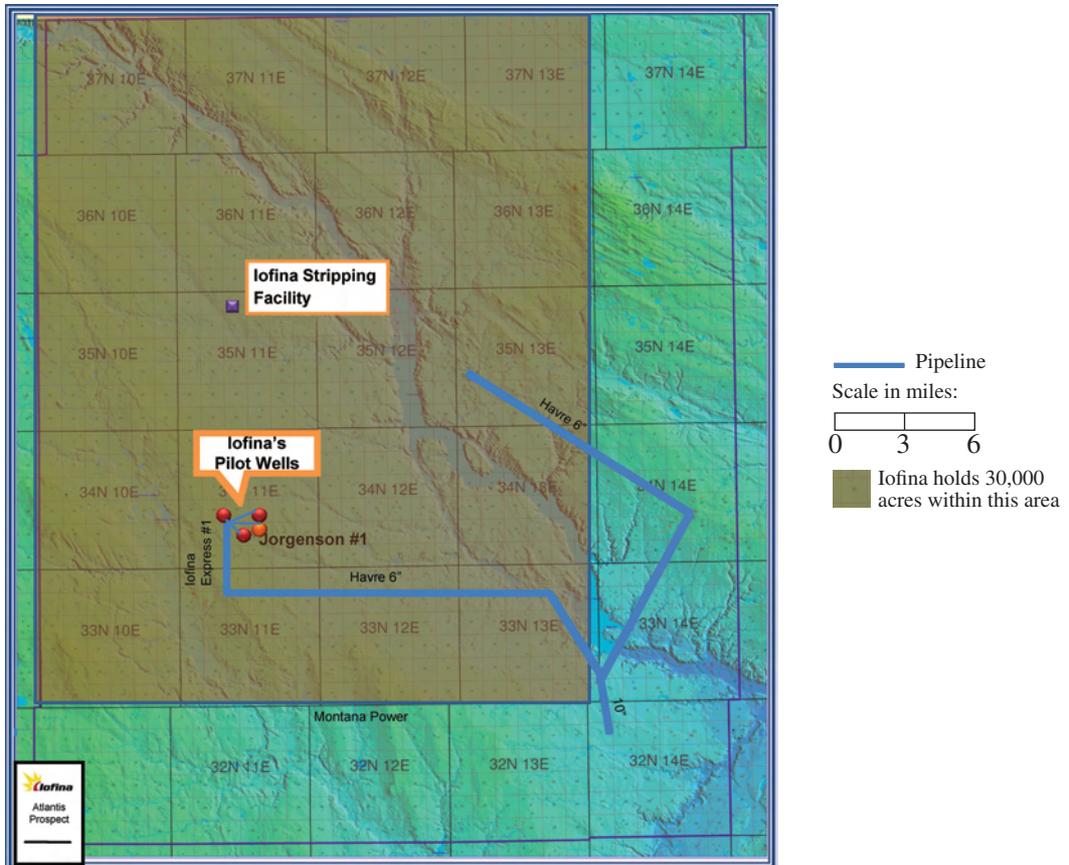


Figure 2: Enlarged Map of Atlantis Prospect Area

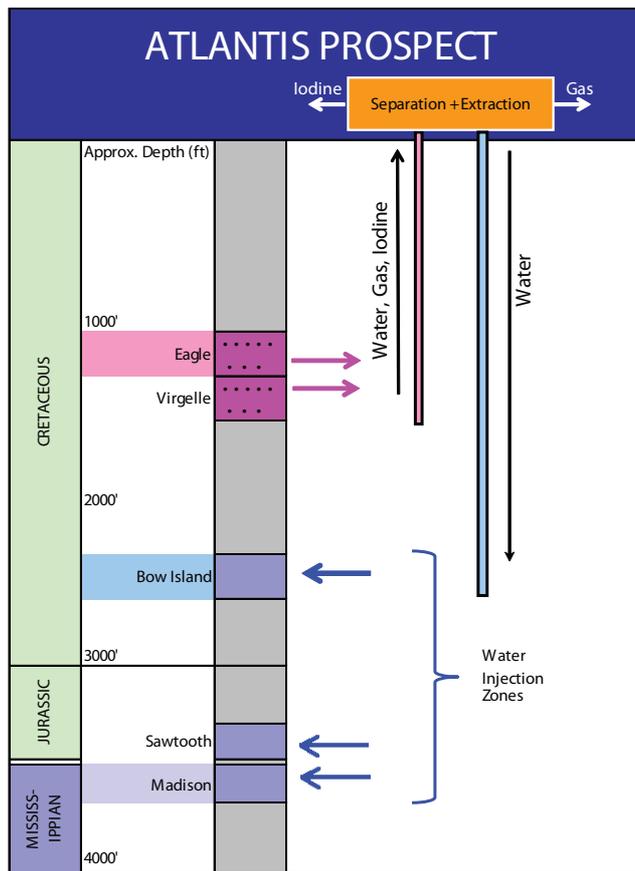


Figure 3: Stratigraphic and Well Chart

In addition to its acreage position, the Group currently owns four pilot wells, an iodine processing facility building and a four mile pipeline which ultimately connects into the TransCanada Pipeline, a major transcontinental gas pipeline serving markets in the north-eastern United States (see Figure 2).

The Directors believe that the Group has a deep understanding of the type of unconventional natural gas occurrence found within the Atlantis Prospect, and that its proprietary iodine extraction system, unavailable to its industry peers, will enable it to turn the associated water into a significant revenue stream in its own right. Following an intensive drilling program and the extension of its existing pipeline in the first half of 2008, the Group plans to produce shallow natural gas in commercial volumes with the co-production of iodine rich water. The Directors believe that, by having dual revenue streams from the production of both iodine and natural gas, the Atlantis Prospect will become highly profitable for the Group.

In collaboration with H&S Chemical (a member of the SYRGIS Performance Products group, a group of leading speciality chemical companies in fields including speciality iodine derivatives, oil and gas production and refining chemicals), the Group has developed a new method of iodine extraction known as Wellhead Extraction Technology™ (WET™). The Directors believe that the Group's WET™ method will enable it to become one of the world's leading low cost producers of iodine, and become a significant player in an industry which has been dominated by Chilean and Japanese producers for over 50 years. As far as the Directors are aware, the Group will be the only independent iodine producer in the USA and will be in a position to control the largest currently known reserve of iodine in North America.

Iofina intends to commence production of iodine and natural gas from the Atlantis Prospect during 2008, following Admission. The Group intends to drill shallow wells and continue to acquire additional acreage and will complete construction of an iodine processing centre as soon as is practicable following the receipt of the net proceeds of the Placing.

3. Iodine

Iodine is a shiny, blue-black, solid element, which derives its name from the Greek word 'iodes' which means 'violet' in reference to its colour. It has an atomic number of 53 and forms one of the halogen group of elements, of which it is the least reactive.

Iodine is essential to many forms of life, including human, and is found in thyroid hormones. A lack of iodine in the human body results in a condition known as 'goitre' in which the thyroid gland in the neck becomes enlarged. In order to assure an adequate amount of iodine in the diet, table salt is routinely iodized. Iodine is also used as the core commodity in a wide variety of products and in many cases there is no substitute.

Sources

Iodine is primarily obtained as a by-product with nitrate minerals that are associated with caliche deposits in places such as the Atacama Desert of Chile. It is present in seawater, which contains about 0.05 ppm iodine, meaning that there are approximately 35 million metric tons of iodine in the world's oceans, but extraction is impractical at these low concentrations. Iodine was first isolated from seaweed, and dried seaweeds (particularly those of the *Limnaria* family) which contain as much as 0.45 per cent. iodine. Prior to 1959, seaweed was a major source of iodine and it remains a significant source for iodine in the diets of many people around the world.

Iodine is also retrieved from underground brines (formation waters containing many dissolved salts and ions) which are associated with natural gas and oil deposits as is the case in Japan and the USA. However, production from caliche, as occurs in Chile, is currently the most prevalent and lowest cost source of the element.

Iodine is currently produced in nine countries, with output concentrated in Chile, Japan and the USA. Chilean companies currently control about half of the world's nominal capacity and account for around 60 per cent. of global production while Japan produces 29 per cent. In the USA, which only accounts for five per cent. 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 number of sources of supply for iodine throughout the world has been and continues to be extremely limited.

Uses

Due to its high reactivity, iodine forms numerous compounds which have a wide variety of medical and industrial uses. Iodine is also considered to be an essential element to human growth, with a recommended daily allowance of 150µg. Iodine compounds are also added to table salt and feed to treat and prevent "iodine deficiency symptom". It also has an excellent ability to absorb X-rays and as such is frequently used as a substituent in the production of various diagnostic contrast-media.

Several of the pharmaceuticals and crop protecting agents have iodine as the substituent. A new use recently approved by the Environmental Protection Agency in the agriculture industry is expected to increase the need for methyl iodide which may replace methyl bromide, one of the most widely used pesticides in the world. In addition, iodine, being a simple substance and having an anti-biotic function by nature, is used as a raw material for the production of various bactericides or disinfectants. Iodine also has a wide range of other uses, for example, in photo-sensitisers, catalysts, stabilisers and polarising films on the liquid crystal display.

Prices

Iodine is a rare element with a large and diverse range of commercial uses. The current world market is approximately 27,000 MT per year and is estimated to be growing by over 6.6 per cent. per year driven by strong growth in existing markets, increased demand from developing countries and the continual development of new uses. Strong growth in demand combined with a tightly controlled supply from just a few countries has resulted in an increase in price over the long term, with iodine prices having doubled since 2003 to a current level of around \$28/kg (see Figure 4).

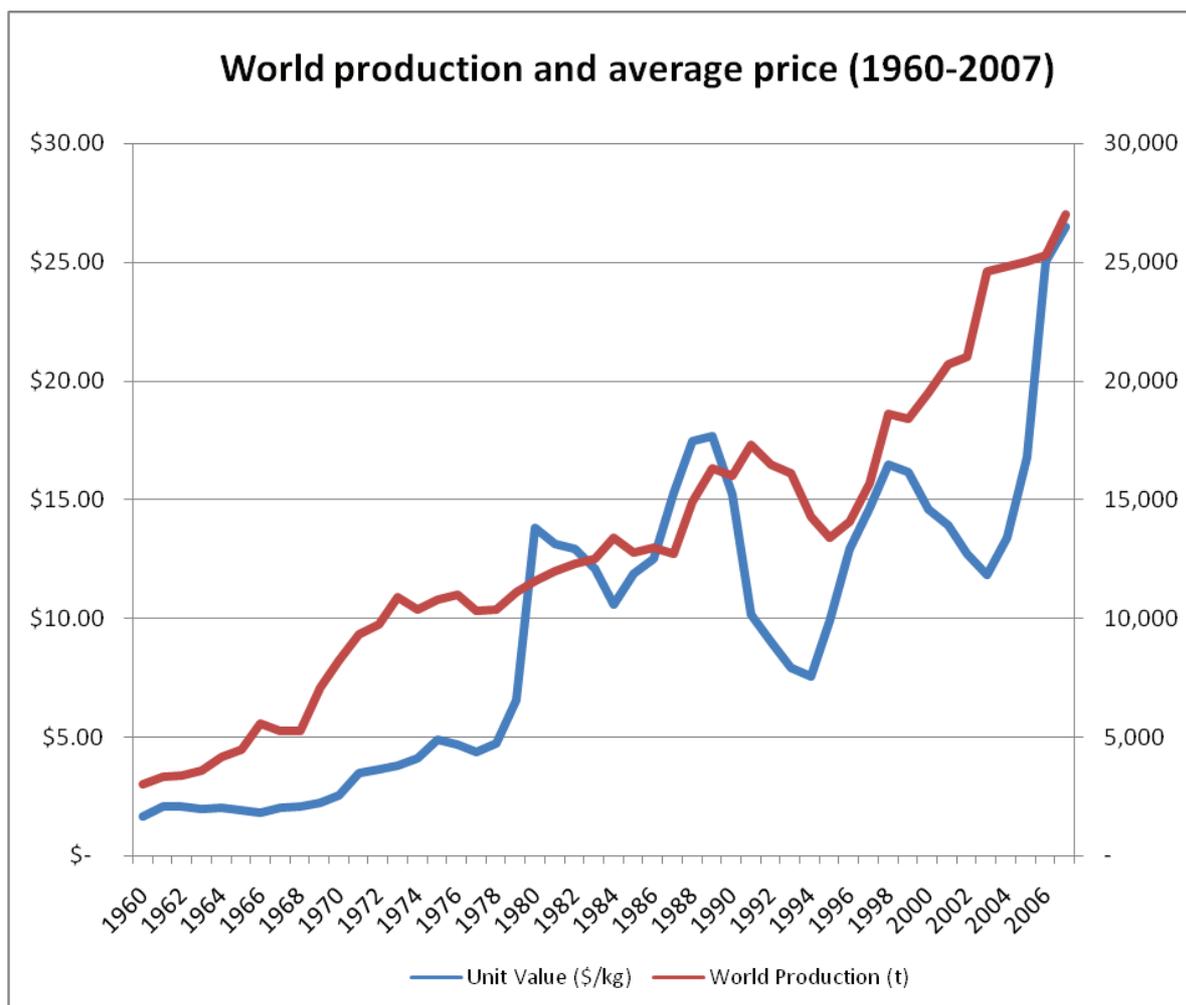


Figure 4: Iodine Production and Price

Iodine substitutes and alternative sources

For many of iodine’s uses, there is no comparable substitute. For example, other substances cannot replace its applications in pharmaceuticals and human and animal nutrition. There are some chemical applications for iodine that can be accomplished using other chemicals. For example, bromine and chlorine can be used in place of iodine for ink and colorant purposes and for disinfectant purposes.

Relationship between iodine and water soluble natural gas

The natural gas and iodine resources of the Atlantis Prospect are contained in an underground saline aquifer, located at a depth of 1,200 feet from the surface in marine sandstones of Cretaceous age, which forms a natural artesian aquifer in which water flows vigorously to the surface in well bores. This water was trapped in the sandstones at the time of deposition, about 85 million years ago, but has subsequently mixed with fresher waters and currently has an unusual chemical makeup. The high levels of iodine (47-55 ppm) probably reflect the marine origin of the water, with accumulations of seaweeds and marine organic debris providing the original source of iodine, although this content is almost 1,000 times higher than in present day seawater. On the other hand, the water has a relatively low overall salt content and is significantly less saline than seawater, probably due to continued re-charge by fresh, meteoric waters. The formation water also contains significant levels of dissolved natural gas in the form of methane, formed by the decomposition of organic material contained in the sediments. This unique combination of brine containing high iodine and low salts makes it well suited to Iofina’s WET™ method and the separation of natural gas.

4. Natural Gas

Natural gas, like other hydrocarbons, is generally found at depth within sedimentary rock pore spaces. Rock pores in the subsurface contain either water (generally saline) or hydrocarbons, or a mixture of both. Oil companies generally explore for 'conventional' accumulations where the pore space is filled with hydrocarbons with little or no water.

Natural gas can, however, also be physically dissolved into these formation waters at varying levels depending on the temperature, salinity and pressure of the water and the chemical make-up of the gas. Although the maximum solubility of gas in water is quite low, gas can be dissolved in all of the water present in a regional aquifer rather than just in discrete accumulations. If the host sedimentary formations cover a wide area the amount of gas dissolved in the formation water can be immense.

In addition to dissolved gas, 'unconventional' resources of natural gas include methane adsorbed onto shales, coals and mudstones in the rock formations as well as gas trapped in micro-bubbles within the rock pores, and contained as small pockets distributed throughout the formation. It is likely that all of these mechanisms operate to some degree in the Atlantis Prospect, as in Japan's Southern Kanto gas field which contains a maximum gas-in-place of 13.2 Tcf. Gas reserves in this field represent a combination of dissolved (soluble) and adsorbed methane and the field has already produced far in excess of what could be explained by dissolved gas alone.

The gas present in the Atlantis Prospect is thought to be biogenic in origin; methane gas formed by bacterial breakdown of organic material, as within a landfill site. While all natural gas starts out this way, most of the world's gas reserves have been converted through millions of years of heat and pressure into thermogenic gas, while being subjected to forces which make it highly mobile. As a result of these processes, most thermogenic gas has been redistributed from its origination point, migrating and ultimately accumulating into conventional gas fields or being lost to the surface. Biogenic gas, however, is immature, and has not been subject to these redistribution forces, and is usually found very near or at its birthplace. Accumulations tend to be shallow, but are often very large in regional extent and can be relatively low cost to produce.

Some of the world's most extensive gas fields are biogenic in origin. These include the giant Milk River gas field (Medicine Hat gas field), immediately across the Canadian border from the Atlantis Prospect (see Figure 1), as well as some of the largest fields in Russia.

5. Principal Markets

Iodine

The Company plans to market its iodine to the largest commercial customers in the US and Europe including the pharmaceutical industry and the dairy industry. Uses include pharmaceutical manufacturing, LCD screen manufacturing, medical X-ray contrast media, human and animal consumption, pesticides, and biocides. The iodine market has been dominated by Chile and Japan for over 50 years and the Directors believe that, given the limited number of suppliers globally, buyers would welcome a new entrant to the market.

The Chief Executive Officer and President of the Company, Dr. David Schneider, has over 20 years' experience in iodine related products and customer relations as a Chief Executive Officer of an iodine derivatives company. David will develop the sales and marketing channels for the Company's iodine production volume and sales. The iodine derivatives market is estimated to be worth \$2.5-3.0 billion per annum, offering substantial profit margins to participants.

Natural Gas

The US domestic market for natural gas is strong and growing. The Group owns an existing four mile pipeline, which is ultimately connected to the TransCanada pipeline, located in close proximity to planned drilling locations, which is sufficient for immediate production of up to 3 MMcf per day. The Directors believe that the pipeline can be expanded at a relatively low cost due to the topography and sparse development of the region. This includes adding access to an existing 10 inch pipeline to the east of the Atlantis Prospect (see Figure 2). Further capacity can be added to the existing pipeline in the future by line looping and adding compression, or a combination of the two.

6. Competition

For the past 50 years the global iodine market has been dominated and controlled by companies based in Chile and Japan. These two countries produce 60 per cent. and 29 per cent. of current global production respectively. The US accounts for only five per cent. of the global supply which is all produced from deep gas field brines in the Anadarko Basin in Oklahoma. Only three companies produce iodine in the Anadarko Basin and these have all now been bought by Japanese interests.

The Group's competitors include the Chilean companies, Sociedad Quimica Y Minerva de Chile S.A., Cosayach and DSM Mirena, and, from Japan, Ise Chemical Co, Ltd., Godo Shigen Sangyo Co. Ltd., Kanto Natural Gas Development, Co, Ltd, and Nippon Chemicals Co.

The ability of both Japan and United States based producers to operate at full capacity is now limited by the decline of iodine-rich brine streams to those facilities, and without significant further investment overall production is expected to decline.

7. Atlantis Prospect Reservoir

The Group has acquired lease rights to produce both iodine and natural gas at the Atlantis Prospect, and has drilled four test wells for data used in the Competent Person's Report set out in Section A of Part III of this document. To date, the Group has acquired approximately 30,000 net acres and will seek to acquire significant additional acreage as and when appropriate blocks come available for lease. Some of these leases are expected to be acquired shortly after Admission. In addition, the Group owns a four mile pipeline that has existing capacity of 3 MMcf per day. The pipeline is ultimately linked into the TransCanada pipeline system, offering Iofina access to national gas markets (see Figure 2).

The Group has identified a further 270,000 net acres in north central Montana with favourable saturations of gas, iodine and water. The Atlantis Prospect target region is located between two of the most significant biogenic gas fields in North America; Medicine Hat field to the north, has already produced 5 Tcf of gas while Tiger Ridge field to the southeast has produced 1.5 Tcf. The Company estimates that as much as 1.8 Tcf OGIP of natural gas exists in the Atlantis Prospect, within Cretaceous age sandstones of the Eagle and Virgelle Formations (see Figure 3).

In the Medicine Hat gas field, the gas lies down-dip from a regional, non-gaseous aquifer (the opposite to most conventional gas pools), and is trapped by down-dip water flow through the poor quality reservoir rock. In the Atlantis Prospect, the reservoir quality is significantly better, but as a result, the gas saturations are lower.

The natural gas found in the Atlantis Prospect is both chemically and isotopically identical to gas produced from these two adjoining fields. The gas comprises over 97 per cent. methane (BTU content 970 mmbtu/Mcf), and does not require processing prior to sale.

A good analogy for the Atlantic Prospect is the Mobara Field in Japan, where iodine and natural gas are produced from a similarly shallow groundwater aquifer holding biogenetic methane and iodine-rich brine. The Mobara Field has produced approximately 1.2 Tcf of gas since 1950 and is still in production today.

MHA has undertaken an independent resource evaluation of the c.28,000 net acres held by Iofina in the area of the Atlantis Prospect (further details of which are set out in paragraph 10 below). It estimates that the Company's current properties contain 98 Bcf of contingent gas resources (Mid Case), with 37.2 million kg of associated iodine, located within the Eagle and Virgelle formations. Total gas resources for the entire Atlantis aquifer were not estimated but are likely, in the opinion of the Directors, to be of the order of 1 Tcf and 370 million kg iodine calculated on the same basis.

8. Extraction Technology

Iofina, in collaboration with H&S Chemical, has developed a new method of iodine extraction, which Iofina calls Wellhead Extraction Technology™ (WET™). The Directors believe that this technology coupled with Iofina's brine distribution method gives Iofina a competitive cost advantage over other iodine producers.

Iofina Chemical Inc. holds an exclusive worldwide licence over the technology for use within the oil and gas industry.

Existing technologies that extract iodine rely on the incoming brine stream's pH being carefully controlled by large volumes of acid and base which are added at various stages in the process. This is costly in terms of both operating and capital expenditure. The WET™ method employs an anion exchange resin, to which the iodine anions are attracted, but what distinguishes it from other processes is that the incoming brine stream only has to undergo minor pre-treatment for effective extraction. This simplifies the extraction process and reduces costs substantially. The Directors believe that the WET™ method will reduce unit production cost by more than 50 per cent., enabling Iofina to become one of the lowest cost producers of iodine globally.

9. Leases

The Iofina leases permit Iofina Natural Gas, Inc. ("ING") to explore for and produce iodine, oil, and natural gas. Each lease is awarded to ING by private mineral owners in consideration for a bonus (lump sum payment) and future royalty payments if production is established.

ING has a limited time (generally five years) in order to establish production on each lease acquired. If production does not develop within this term (known as the Primary Term), the lease expires and would need to be renewed.

In the event production of hydrocarbons and/or iodine develops within the Primary Term, the lease remains in force for so long as operations are continued. In the United States, leases with established commercial production have been "held-by-production", or "HBP", in some cases for more than 100 years. To date, the Company has been able to acquire leases for competitive bonus values.

Iofina's leases are subject to a 12.5 per cent. royalty of market price derived from oil and gas, and a three per cent. royalty on the gross proceeds derived from production of iodine. The royalty payments are paid monthly to all mineral owners on a pro-rata basis and in accordance with State regulations.

For example, if State regulations provide for well density of one well per 640 acres, and a single mineral owner owns 100 per cent. of all rights underlying the 640 acre unit, all royalty payments payable pursuant to the relevant leases will go to that single owner.

However, the example described is not the usual case in the United States. Usually each well's spacing unit consists of many individual mineral owners that share in the royalty payments for a total combined royalty of 12.5 per cent. in the case of ING. Among the terms and conditions contained within each lease is what is known as a pooling agreement. The pooling agreement mandates that all future royalty payments are shared pro-rata between all mineral owners subject to the State well density regulations.

In the event that commercial production is not developed prior the expiration of the Primary Term, but drilling operations resulted in a well that is capable of production, leases can also be held by a shut-in royalty. A shut-in royalty is a payment stipulated in the lease, which royalty owners receive in lieu of actual production, when a gas well is shut-in due to lack of a suitable market, a lack of facilities to produce the product, or other cases defined within the shut-in provisions contained in the oil and gas lease.

To the Directors' knowledge ING is the only company in the state of Montana or in the United States which has acquired comprehensive iodine leases.

10. Competent Person's Report and Iodine Expert's Report

Iodine

Armour Associates Ltd was commissioned to provide an independent expert's evaluation of the Company's iodine extraction technology, its applicability to the Atlantis Prospect and the commercial context of the global iodine market. Its report is set out in Section B of Part III of this document, and should be read in its entirety.

The principal conclusions of the Iodine Expert's report are as follows:

- The global market for iodine is sound and growing, with increasing demand for imports into the United States. Prices are therefore expected to remain firm.
- WET™ extraction system, based on ion-exchange resin methods, has been proven and should provide a competitive advantage over other production techniques.
- The formation waters found in the Eagle- Virgelle sandstones of the Atlantis Prospect area of northern Montana contain regionally high iodine levels of 47 to 55 ppm, present as iodide salts (NaI).
- Overall salinity of the formation water is quite low (c.6,500 ppm NaCl) and this unusual combination makes the brine particularly suitable for application of the WET™ extraction system.
- An estimated 70 per cent. of the iodine held as iodide salts in the processed brine should be recoverable.

Natural Gas

MHA Petroleum Consultants Inc has been appointed as the Competent Person and based its evaluations on its expertise in the petroleum industry, while also relying on the opinion of the Iodine Expert with regard to the iodine aspects of the project. MHA's report is set out in Section A of Part III of this document, and should also be read in its entirety.

The principal conclusions of MHA's report are as follows:

- The artesian aquifer of the Eagle & Virgelle formations in the Atlantis Prospect area forms a regional, unconventional shallow gas resource.
- Gas is present in two forms:
 - a) Dissolved in the formation water, and producible in conjunction with the water at levels of about 5 scf/bbl.
 - b) Adsorbed onto low permeability siltstones and shales within the formation. Desorption of this gas occurs as pressure in the reservoir is reduced with water production.
- Gas-In-Place calculations were made for c.28,000 acres of the 30,000 acres held by Iofina in the area, lying within the main artesian fairway:

a)	Dissolved Gas	21.9 Bcf
b)	Adsorbed Gas	133.7 Bcf
	Total Gas-In-Place	155.6 Bcf

This corresponds to an average OGIP of 3.6 Bcf per 640 acre 'section'.

- A corresponding calculation of iodine in place gives **100.6 million kg**
- Reservoir simulation techniques were used to evaluate the production response to a large scale multi-well development of the aquifer, in which both gas and iodine production relate to the brine production. Depending on the extent of re-charge, annual decline in brine production in individual wells is expected to range from 0 per cent. to 4.6 per cent. per annum. A mid case decline of 2.3 per cent. per annum was chosen for forecasts.

- Resource estimates, cashflows and discounted values were calculated based on a full development by over 1,000 shallow wells, grouped into over 100 well cluster ‘pods’ with shared gathering, separation, iodine extraction and water injection facilities. In the mid case, **98 Bcf of gas** and **37.2 million kg** of iodine are recovered over a 40 year period, giving recovery factors of 63 per cent. and 37 per cent. respectively. The full results are summarised below:

<i>Results Summary</i>	<i>High Case (no brine decline)</i>	<i>Mid Case (Mid brine decline)</i>	<i>Low Case (High brine decline)</i>
Total Natural Gas Production, Before Economic Limit, BCF	124.6	98.0	80.1
Total Natural Gas Production, After Economic Limit, BCF	124.6	98.0	79.8
Total Iodine Production, Before Economic Limit, mm KG	52.7	37.2	27.7
Total Iodine Production, After Economic Limit, mm KG	52.7	37.2	27.4
Production Start Year	2008	2008	2008
Production End Year	2047	2047	2046
Undiscounted Free Cashflow, millions of \$US	1391.8	819.0	442.9
Discounted (@ 10%) Free Cashflow, millions of \$US as at 1 January 2008	224.02	170.58	131.30
Discounted (@ 10%) Equity Value, millions of \$US as at 1 January 2008	226.12	172.69	133.40
Discounted (@ 10%) Equity Value, millions of GBP as at 1 January 2008	113.2	86.5	66.8

- These gas volumes are classified as ‘Contingent Resources’ under SPE Petroleum Reserves Definitions. As economic production is established in the first well cluster production ‘pod’, partial upgrading to ‘Developed’ and ‘Undeveloped Reserves’ should be possible.

11. Field Development Plan/Strategy

Iofina has demonstrated the value of the WET™ method by field production and extraction of iodine. The iodine produced from these columns was tested and used successfully to produce various iodine derivatives at H&S Chemical.

Iofina’s development strategy is to use the dual revenue streams from iodine and natural gas found in the Atlantis Prospect to build a world class iodine production company. Through the deployment of Iofina’s exclusive WET™ system, each well produces both natural gas and iodine, which is contained in the formation water. The Directors believe that relatively low well costs coupled with the deployment of Iofina’s WET™ system, will give high operational efficiencies compared to other gas/iodine fields in Japan and Oklahoma, and will convert to higher margins. The Company is working to capitalise on the natural advantages of the Atlantis Prospect as an iodine/gas resource and is investigating innovative sonic drilling techniques to further reduce costs for these shallow wells and assessing the potential for the wells to flow without the need for pumps.

The Company plans to use a well cluster or ‘pod’ approach to develop the Atlantis Prospect, illustrated in Figure 5 below. A cluster of six to ten wells will be drilled to the Eagle/Virgelle reservoir target, on 30 to 40 acre spacings, and tied back to a central location using low pressure, poly SDR-11 pipelines. The wells are expected to flow water initially at high rates from the over-pressured reservoir sands, without the need to install pumps. Free flows of 1,000 to 2,000 bpd are possible, although an average of 600 bpd has been assumed in economic evaluations. Gas will flow entrained with the water, in a two-phase flow regime, at rates expected to vary from 5 to 25 scf/bbl. The pod’s central location will house gas separation, de-hydration facilities, compression and metering, and will export sales gas at rates of up to 150 Mcf/d via an export line tied in to the Group’s existing 3 MMcf/d gas pipeline (see Figure 2).

Following gas removal, the iodine-bearing brine will be processed through a small iodine extraction facility, using Iofina’s WET™ method, designed to handle up to 6,000 bpd of brine throughput (250 barrels/hour). The method utilises electrolytic oxidation of the iodide salt contained in the brine, collecting it as elemental iodine on a resin column. This is expected to yield up to 34 kg per day of elemental iodine per ‘pod’;

extraction columns will be exchanged regularly and shipped to a nearby stripping facility being built by the Company in the Atlantis Prospect area. Here iodine on the columns will be removed and returned to the iodide state (NaI). It can be sold to end users in this form or can be reduced back to elemental iodine (I₂).

Disposal of the iodide-depleted brine will be via dedicated water disposal wells, located near the pod centres and drilled to the Madison, Sawtooth or Bow Island formations which underlie the Eagle/Virgelle (see Figures 3 and 5). A single well is expected to be able to handle the 6,000 bpd water production from a single production well cluster. The Company is, however, also examining the possibilities of de-salinating this relatively low salinity formation water and making a portion of it usable for agricultural irrigation, thereby both reducing the water disposal costs and potentially adding a new revenue stream.

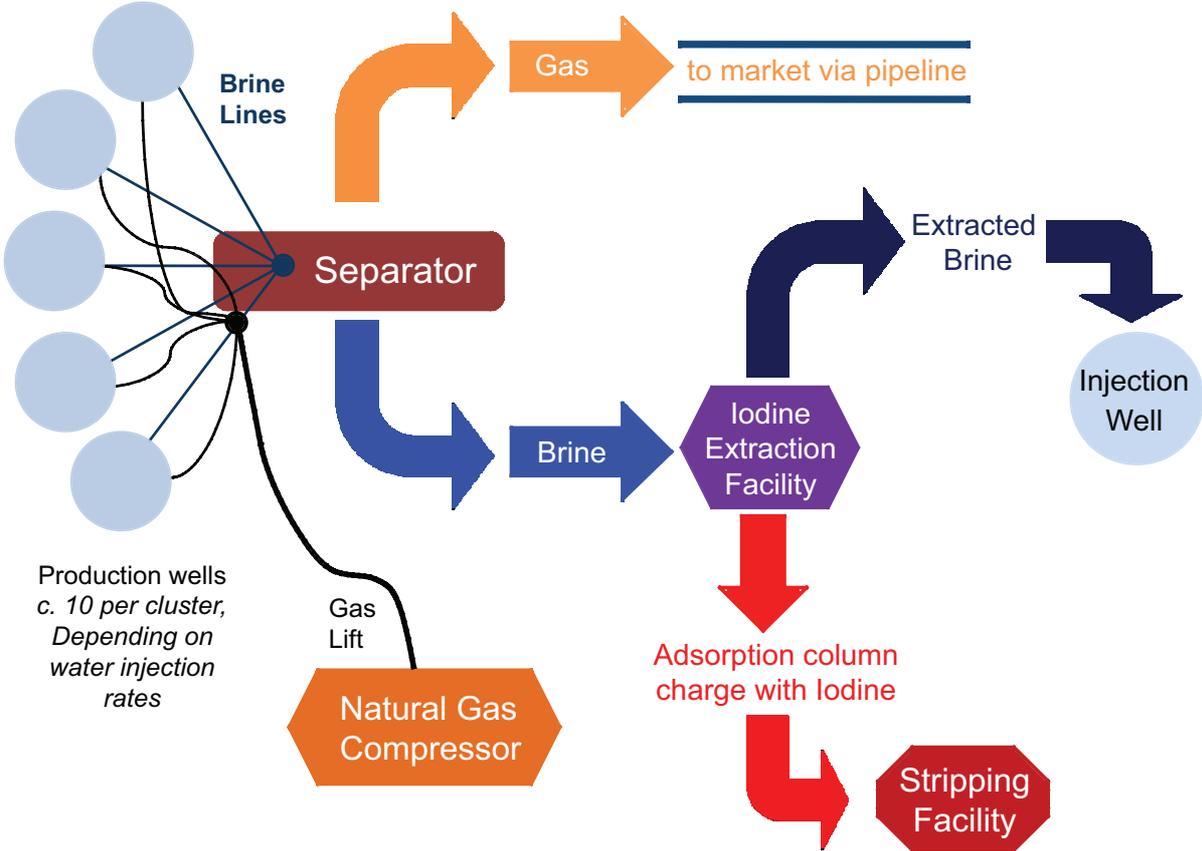


Figure 5: Field operations flow diagram

The Company plans to grow its production of both gas and iodine through the sequential addition of these semi-autonomous well cluster production pods. The design and scaling of each pod will vary according to the geological, engineering and commercial conditions at each site, but the basic concept of dispersed, small scale production facilities will be retained. The Directors believe that up to eight new well clusters can be drilled and put on production by the end of 2008, resulting in additional production by year end of up to 1,200 Mcf/d gas and 272 kg/d of iodine. Drilling is expected to be at a higher rate in future years, with up to 20 well clusters being added in 2010. The full development of the Group’s current properties in the Atlantis Prospect would entail over 100 well clusters in total, with gas and iodine production rates peaking at 17.5 MMcf/d and 3,900 kg/d respectively within five years.

The Directors believe that this aggressive drilling schedule is achievable and will enable Iofina to become the largest single producer of iodine in North America within five years. The drilling schedule will be implemented through the use of both outsourced and Group-owned rigs, allowing Iofina to control its own drilling schedule and timing. The dual revenue stream based on iodine and natural gas provides both excellent margins and low revenue volatility since the two product streams relate to separate market conditions. Coupled with the large iodine deficit in North America (with an increasing reliance on imports), this will place Iofina in a very strong, long term, strategic position.

The Group's long term goal is to find additional applications for its methods and chemical expertise of extracting elements such as iodine with the co-production of natural gas. The Group continues to explore joint venture relationships with traditional natural gas producers to create additional revenue streams. The Group will also acquire additional prospects that might be able to produce dual revenue streams over a single cost structure.

12. Directors, Senior Management and Advisory Board

Directors

The current composition of the Board is as follows:

Jeffrey Paul Ploen, age 58, Non-executive Chairman

Mr. Ploen is currently a 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 Energy, Inc. (AMEX: BZP; market capitalisation of \$1.41 billion), having raised more than \$150 million in debt for the IFC (World Bank) and \$140 million in equity from institutional investors. Mr. Ploen is the former Chief Executive Officer of Tamaron Corp., Paradigm Holdings, Inc., and Tonga Capital Corp., all of which were sold to, or merged with, substantially larger corporations.

David John Schneider, age 44, Chief Executive Officer and President

Dr. Schneider is a founder and former president of H&S Chemical, a manufacturer of speciality chemicals, of which the majority of the issued share capital was sold to Syrgis Companies in 2005. Dr. Schneider has developed extensive relationships with iodine buyers and sellers in the iodine derivatives markets over the previous 20 years while President at H&S Chemical. Dr. Schneider earned a BS in Physics and Mathematics from Northern Kentucky University, an MS in Atomic and Molecular Physics from the University of Connecticut and a PhD in Chemical Physics from the University of Cincinnati. He has extensive experience in scale-up of chemical processes from laboratory to pilot to full scale production and is the inventor of several chemical patents over the past 10 years. Dr. Schneider is responsible for company direction, new projects, product development and EPA registrations.

Lance Jason Baller, age 34, Finance Director

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 on the board of directors of companies in Asia and the United States. Mr. Baller is also the former vice president of mergers and acquisitions, financing and corporate development at Integrated Biopharma, Inc. and prior to this a 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.

Christopher Ernest Fay CBE, PhD, BSc, C.Eng, FEng, FRSE, FICE, FEI, age 62, Non-executive Deputy Chairman

Dr. Fay is currently the non-executive Chairman of Expro International Group plc (LSE:EXR, market capitalisation of £1.60 billion), non-executive director of Stena International Sarl, Conister Financial Group plc and of Anglo-American plc (LSE:AAL, market capitalisation of £48.38 billion). Dr. Fay is 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 non-executive director of The Weir Group plc 2001-2003,

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.

It is intended that a further non-executive director shall be appointed as soon as practicable following Admission.

Senior Management of Iofina Natural Gas, Inc.

Paul Ethan Mendell, aged 43, Geologist and Co-Founder

Mr. Mendell is a petroleum engineer and geologist working with leading minds in exploration. He has been responsible for drilling and completing over 60 exploration and 50 development oil and gas wells in Oklahoma, Colorado, Montana, North Dakota, Kansas, Arkansas and Saskatchewan, Canada. Mr. Mendell has formed and exited many businesses including: Mendell-Denver which was acquired by Prima Energy (the net return of 6 to 1 on capital invested), Mendell Petroleum which was acquired by Gerrity (now Patina) (net return of 40 to 1 on capital invested), Maxedon, a shallow gas discovery, which was acquired by Enron (net return of 16 to 1 on capital invested) and Cushing, a gas discovery which was acquired by Great Northern Natural Gas (net return of 10 to 1 on capital invested). Mr. Mendell co-founded Iofina with Mr. Ploen and Mr. Baller.

13. Current Trading and Prospects of the Group

In November 2007, the Company conducted a private placing, raising approximately £1,500,000 (before expenses) to provide further working capital for the Group to enable work to commence in Montana generally and more specifically to acquire leases.

Following Admission, the principal focus of the Group's activities will be the drilling and development programme at the Atlantis Prospect set out in further detail in paragraph 11 above.

In addition, the Group intends to expand its lease acreage significantly, both within and outside the Atlantis Prospect, which the Directors believe will add substantial resources and well sites. Some of these leases are expected to be acquired shortly after Admission. The Group will also continue the extension of the gas pipeline owned by the Group and complete the construction of an iodine processing centre. The Company will commission in due course a full competent person's report on any such additional acreage acquired by it.

The Board is optimistic as to the Group's prospects arising from the proposed future development of the Atlantis Prospect and the acquisition of additional lease acreages.

Historic financial information on Iofina is set out in Part IV of this document.

14. Details of the Placing and Use of Proceeds

The Company is proposing to issue approximately 27.45 million Placing Shares pursuant to the Placing at the Placing Price to raise approximately £15.1 million before expenses (approximately £13.7 million net of expenses). The net proceeds of the Placing will be applied towards providing the Group with additional funding, principally for drilling, production and extraction operations. The remainder of the funds will be applied towards acquiring additional leases, seeking additional prospects and further working capital to support the growth and development of the business.

The Placing Shares will represent approximately 29.26 per cent. of the Enlarged Issued Share Capital, will be fully paid upon issue and will rank equally in all respects with the Existing Ordinary Shares.

The Company and the Directors have entered into the Placing Agreement with Strand Partners and Mirabaud. The Placing Shares have been conditionally placed with institutions and other investors. The Placing is conditional, amongst other things, upon Admission becoming effective on or before 9 May 2008, or such

later time and date as the Company, Strand Partners and Mirabaud may agree, but in any event not later than 22 May 2008. The Placing is not being underwritten.

Further details of the Placing Agreement are set out in paragraph 10(e) of Part V of this document.

15. Share Option Scheme

The Directors believe that it is important that directors, employees of, and consultants to the Group are appropriately and properly motivated and rewarded. Accordingly, the Company has adopted a share option scheme, further details of which are set out in paragraph 8 of Part V of this document. The maximum number of Ordinary Shares over which awards can be granted is the lesser of 9,000,000 Ordinary Shares and 10 per cent. of the Company's issued share capital from time to time.

Conditional on Admission, the Company has granted options over 100,000 Ordinary Shares to the Board and options over 200,000 Ordinary Shares to other employees of the Group, certain of which are performance related. Further details of the options granted to the Board are set out in paragraph 8 of Part V of this document.

16. Corporate Governance

The Directors acknowledge the importance of the principles set out in the Combined Code. Although the Combined Code is not compulsory for AIM companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

The Board of Directors

Following Admission the Company will have two non-executive Directors and intends to appoint one further non-executive director as soon as reasonably practicable following Admission. The Company intends to hold meetings of the Board regularly. The Board will be responsible for strategy, performance, approval of major capital projects and the framework of internal controls. The Board will have a formal schedule of matters specifically reserved to it for decision. To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Company secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Articles provide that Directors will be subject to re-election at the first annual general meeting after their appointment and the Board will voluntarily submit to re-election at intervals of three years.

Audit Committee and Remuneration Committee

The Company will, with effect from Admission, appoint audit and remuneration committees of the Board with formally delegated duties and responsibilities.

The audit committee of the Company, which will initially comprise Jeffrey Ploen and Dr. Christopher Fay, will be chaired by Dr. Fay and will meet at least twice a year. The audit committee will be responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It will also meet the auditors and review reports from the auditors relating to accounts and internal control systems. The audit committee will meet at least once a year with the auditors.

The remuneration committee of the Company, which will initially comprise Jeffrey Ploen and Dr. Christopher Fay, will be chaired by Mr. Ploen and will meet at least once a year. The remuneration committee will set and review the scale and structure of the executive directors' remuneration packages, including share options and the terms of their service contracts. The remuneration and the terms and conditions of the non-executive directors will be determined by the Chairman of the committee and the executive directors with due regard to the interests of the Shareholders and the performance of the Group. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees.

In light of the size of the Board, the Directors do not consider it necessary to establish a nomination committee, however, this will be kept under regular review.

Internal Financial Control

The Directors have established financial controls and reporting procedures which are considered appropriate given the size and structure of the Group. It is the intention of the Directors that these controls will be reviewed in light of anticipated future growth and adjusted accordingly.

Share Dealing Code

The Company has adopted a share dealing code for the Directors and relevant employees in order to comply with Rule 21 of the AIM Rules for Companies and will take steps to ensure compliance by the Board and any relevant employees with the terms of such share dealing code.

17. Lock-in and Orderly Market Arrangements

Each of the Directors and certain existing Shareholders (including all Related Parties and Applicable Employees (as such terms are defined in the AIM Rules for Companies)), who together will hold approximately 14.41 per cent. of the Enlarged Issued Share Capital, have undertaken to the Company, Strand Partners and Mirabaud that, except in certain limited circumstances, they will not dispose of any interest in the Ordinary Shares held by them for a period of 12 months from the date of Admission. The Directors and certain of such Shareholders, who together will hold approximately 48.01 per cent. of the Enlarged Issued Share Capital, have also undertaken that, for a further 12 months, they will only dispose of any interest in Ordinary Shares with the consent of the Company's broker and nominated adviser from time to time and in accordance with orderly market principles.

Further details of these arrangements are set out in paragraph 10(i) of Part V of this document.

18. Dividend Policy

The Ordinary Shares rank equally for all dividends and other distributions declared, paid or made in respect of the ordinary share capital of the Company. The Company has not declared or paid any dividends since incorporation.

It is the current intention of the Directors to retain any earnings arising from the Group's activities to fund further investment by the Group and achieve capital growth. Accordingly, they do not intend to pay dividends in the immediate future. The declaration and payment by the Company and amount of any future dividends and the frequency of them will depend upon the Company's financial condition, future prospects, profits legally available for distribution and other factors deemed by the Board to be relevant at that time.

19. Taxation

Information regarding certain taxation considerations in the United Kingdom is set out in paragraph 9 of Part V of this document. These details are, however, intended only as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

20. Settlement, Dealings and Crest

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Euroclear is unable to take responsibility for the electronic settlement of shares issued by companies in certain non-UK jurisdictions.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form they will have their CREST accounts credited on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within 14 days of the date of Admission. No temporary documents of title will be issued.

Pending the receipt of definitive share certificates in respect of the Placing Shares (other than in respect of those Placing Shares settled through CREST), transfers will be certified against the register. For more information concerning CREST, Shareholders should contact their broker or, alternatively, Euroclear at 33 Cannon Street, London EC4M 5SB.

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will take place and dealings in the Enlarged Issued Share Capital will commence on 9 May 2008.

21. Further Information

Your attention is drawn to the further information set out in:

1. Part II of this document relating to risk factors;
2. Section A of Part III of this document setting out the Competent Person's report;
3. Section B of Part III of this document setting out the Iodine Expert's report;
4. Part IV of this document setting out financial information on the Company; and
5. Part V of this document summarising statutory and general information on the Company.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Ordinary Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occurs, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

There are various risk and other factors associated with an investment of the type described in this document. In particular:

Risks relating specifically to the Group

Unconventional approach and technology

The Group believes that natural gas coexists along with brine within a shallow sandstone aquifer in Montana. The Group has four test wells and has relied on this data for its business plan. In order to produce the gas, volumes of brine will need to be co-produced along with the gas. The volumes of brine that will need to be co-produced exceed volumes normally associated with typical oil and gas operations. These volumes are usually associated with unconventional oil and gas operations such as coal bed methane. Dealing with these large volumes of brine requires additional costs and operational complexities that may test known limits of industry common knowledge. There can be no assurance that the Group will be able to manage the volumes necessary to produce commercial quantities of natural gas.

Co-production of brine containing iodine using proprietary technology

The Group has discovered concentrations of iodine dissolved in the brine from the aquifer. The Group will attempt to extract and recover the iodine using its Wellhead Extraction Technology™ ("WET™"), licensed exclusively from H&S. The exclusive licence would be converted to a non-exclusive licence in the event that the Group fails to deliver to H&S certain agreed minimum levels of iodine in each calendar year. In addition, H&S has the right to terminate the agreement if such minimum levels of iodine are not delivered to H&S. Whilst Iofina is confident in its ability to satisfy the performance obligations under the licence, in the event that the licence agreement is terminated, this may have an adverse effect on the Group's income.

While the WET™ method has been tested for over 18 months in a controlled environment and shown to be effective, testing in the field has been less than 90 days. As a result the Group could experience setbacks or delays in scaling of extraction and shipping delays, which may have an impact on the Group's financial results and commercial prospects. In such circumstances there does exist more expensive methods as employed in Japan and elsewhere that the Group could use. In addition, the Group regularly explores new extraction methods or refinement of current methods to constantly monitor which method is the most cost effective and provides the highest yield and therefore in the future the Group may produce iodine using a new method or refined method. However, there can be no assurance that the Group will be successful in extracting the iodine profitably using an alternative extraction method in the future.

No profit to date

The Group has incurred aggregate losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. Since the Group intends to continue investing in the various projects in which it holds an interest, the Directors anticipate making further losses for at least the current financial period ending 31 December 2008. There can be no certainty that the Group will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

Currency risk

The Group will report its financial results in UK Pounds sterling, while many contracts in the natural gas and iodine industry are principally denominated in United States dollars. Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results and may have an adverse effect on income and/or asset values.

General industry risks

Exploration and development risks

Natural gas exploration involves significant risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Any statement by the Company, or by MHA, the Competent Person in Section A of Part III of this document, of potential natural gas quantities are only estimates based on various assumptions, and subject to various risks, and they do not constitute any form of profit forecast. 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.

Drilling and operation risks

Natural gas drilling activities are subject to various risks, many of which are beyond the Group's control. The Group's operations may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the availability of rigs and/or other equipment and compliance with governmental requirements. Drilling may involve unprofitable efforts with respect to wells which, though yielding some natural gas, may not be sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Hazards incident to the exploration and development of natural gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Group.

Development of hydrocarbon assets is highly complex in nature and involves many risks. If reserves are developed, it can take a number of years from the initial phases of drilling and identification until production is possible, during which time the economic feasibility of production may change.

Substantial expenditure is required to develop reserves and to determine the amenability to viable, long term economic exploitation. As a result of these uncertainties, no assurance can be given that the development to be undertaken by the Group will result in economic producing operations.

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges or toxic gases. The occurrence of any of these could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company which may not be covered, in whole or part, by insurance (see "*Insurance risks*" below).

Market risk

The marketability of any natural gas discovered will be affected by numerous factors beyond the control of the Group. These factors include market fluctuations, proximity and capacity of natural gas pipelines and

processing equipment and government regulations including regulations relating to taxation, royalties, allowable production, importing and exporting of natural gas, and environmental protection.

Insurance risks

The Group plans to insure its operations in accordance with industry practice and plans to insure the risks it considers appropriate for the Group's needs and for its circumstances. Insurance cover will not be available for every risk faced by the Group.

Although the Group believes that it or the operator should carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Group's or the operator's insurance may not cover or be adequate to cover the consequences of such events. In addition, the Group may be subject to liability for pollution, blow-outs or other hazards against which the Group or the operator may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Group.

There is a risk that insurance premiums may increase to a level where the Group considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. In addition, the Group may, following a cost-benefit analysis, elect to not insure certain risks on the ground that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Company of the insurance cover.

Ability to exploit successful discoveries

It may not always be possible for the Group to participate in the exploitation of any successful discoveries which may be made in any areas in which the Group has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied. In addition, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as those of the Group. Such further work may require the Group to meet or commit to financing obligations for which it may not have planned.

Reserve estimates

Iodine and natural gas reserves and resource figures presented in this document have been derived from the calculations and estimates set out in the reports from the Competent Person and the Iodine Expert set out in Part III of this document. Reserve figures are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Reserves estimates may require revisions based on actual future production experience. Furthermore, a decline in the market price of gas and iodine could render gas or iodine reserves containing relatively lower quality of gas or iodine uneconomic to recover and may ultimately result in a restatement of reserves. The current reserves are undeveloped. These reserves require capital expenditure in order to bring them into production. No guarantee can be given as to the success of drilling in which the Group will have interest. In addition, drilling, development and production may be delayed or adversely effected by factors outside the control of the Group.

Reliance on underlying assumptions

The Competent Person and the Iodine Expert have evaluated and provided a report on the technical, environmental and economic aspects of the Group's iodine and natural gas resource set out in the reports in Part III of this document. These reports also contain certain valuations based on estimated reserves in the Atlantis Prospect which the Group believes are reasonable and which Shareholders should review carefully.

For purposes of preparing the valuations, certain assumptions were made, of necessity, with respect to general business and economic conditions and several other material contingencies and other matters the outcome of which cannot be predicted by the Group, the Competent Person, the Iodine Expert or any other person with any certainty of accuracy. These assumptions and the other assumptions used in the estimation and valuation process are inherently subject to significant uncertainties and actual results may differ, perhaps materially, from

those estimated. Neither the Group, the Competent Person, the Iodine Expert nor any other person assumes any responsibility for the accuracy of the projections. The Group makes no representation, nor is one intended, nor should any be inferred, with respect to the likely existence of any particular future set of facts or circumstances. If actual results are less favourable than those shown, or if the assumptions used in formatting the projections prove to be incorrect, the Group's ability to make profits may be adversely affected.

Commercial risks

Even if the Group recovers quantities of natural gas with the production of brine containing iodine, there is a risk the Group will not achieve a commercial return. The Group may not be able to transport the natural gas and iodine to commercially viable markets at a reasonable cost or may not be able to sell the natural gas and iodine to customers at a price and quantity which would cover its operating and other costs.

Competition risks

Many of the Group's competitors have greater financial and other resources than the Group and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Group can compete effectively with these companies.

Joint venture parties and contractors

The Directors are unable to predict the risk of: financial failure or non-compliance with respective obligations or default by a participant in any joint venture in which the Group is, or may become, a party; insolvency or other managerial failure by any of the contractors used by the Group in its exploration activities; or insolvency or other managerial failure by any of the other service providers used by the Group for any activity.

Environmental risks

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 subject the Group to extensive liability.

Further, the Group may require approval from the relevant authorities before it can undertake activities which are likely to impact on the environment. Failure to obtain such approvals will prevent the Group from undertaking its desired activities. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

Payment obligations

Under certain contractual agreements to which the Group is, or may in the future become, a party, the Group is, or may become, subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Group. The Group may not have, or be able to obtain, funding for all such obligations as they arise.

Corporate and regulatory formalities

The conduct of natural gas and iodine operations and the steps involved in the Group acquiring its current interests involve or have involved the need to comply with numerous procedures and formalities. It may not in all cases be possible to comply with or obtain waivers of all such formalities.

Volatility of prices of natural gas

The demand for, and price of, natural gas is highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels and global economic and political developments. International gas prices have fluctuated widely in recent years and may continue to fluctuate

significantly in the future. Fluctuations in natural gas prices and, in particular, a material decline in the price of natural gas may 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. Natural gas prices could affect the viability of exploring and/or developing the Group's interests.

Volatility of prices of iodine

The demand for, and price of, iodine is highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, the price and availability of alternative products, actions taken by governments and international cartels and global economic and political developments. International iodine prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in iodine prices and, in particular, a material decline in the price of iodine may have a material adverse effect on the Group's business, financial condition and result of operations assuming production is achieved by the Group's activities. Iodine prices could affect the viability of exploring and/or developing the Group's interests.

Dependence on key personnel

The Group's business is dependent on retaining and obtaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Group is, and will continue to be to a significant extent dependent on the expertise and experience of the Directors and other key personnel. Although the Directors believe they have access to strength and depth in the expanded management team, the loss of one or more could have a materially adverse effect on the Group. The Group faces competition in attracting and retaining qualified employees. The Group's ability to continue to develop its businesses will depend upon its ability to attract new employees and retain and motivate existing employees.

Governmental regulations and processing licences

Governmental approvals and licences are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Group must comply with known standards, existing laws and regulations. Such compliance may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Group's cost and results of operations and financial condition.

The Group's activities are dependent upon the grant of appropriate licences, concessions and regulatory consents that may be withdrawn or made subject to limitations. There can also be no assurance that they will be granted or renewed or if so, on what terms.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group will operate and hold its major assets. Although political conditions and the legal system in the US and Canada are considered to be stable and reliable, the introduction of new legislation or amendments to existing legislation by governments or the application of developments in existing common law in these jurisdictions, or the interpretation of those laws and court decisions, could impact adversely on the assets, operations and ultimately the financial performance of the Group. The regulatory risks associated with iodine are minimal. However, a US DEA (Drug Enforcement Agency) licence is needed to ship iodine within the U.S. This is accomplished by filling out the necessary paperwork to inform the DEA of your intent to become a licensed shipper of iodine. Exported iodine requires a 15 day waiting period from the time of notification to the DEA and the planned shipment of the iodine. The regulatory risk is low because of the ease of obtaining the DEA licence (good standing as a U.S. citizen) and the fact that an Iofina director, Dr. David J. Schneider, has extensive experience in the manufacture of iodine derivatives which involve the handling of both domestic and foreign Iodine shipments. This same director was the former President of H&S Chemical Co. where the company had several DEA licenses for iodine derivatives both domestic and foreign (See US DOJ, DEA reference).

U.S. Department of Justice Drug Enforcement Administration advisory

The Drug Enforcement Administration (DEA), and various state/local law enforcement authorities throughout the United States have noted an alarming trend involving illicit methamphetamine production. Methamphetamine (also known as speed, crank or meth) is fast becoming a major drug problem in the United States. The DEA is asking all businesses engaged in the sale of iodine products to be aware of use of iodine by clandestine methamphetamine laboratory operators. Criminal elements use iodine to produce illicitly methamphetamines. The DEA is aware that these criminals are searching for sources of supply for iodine. In the past, distributors have reported the theft of iodine from chemical storage facilities in which Iofina could be a possible target. Iofina has security measures in place at the stripping facility and its remote location in Northern Montana makes it an unlikely target. However, there is no guarantee that Iofina will not have attempted theft. The iodine in the field units is of no value as a target of theft because it cannot be used to produce methamphetamines and therefore this reduces the risk of theft of the Iofina iodine. Iodine became a federally regulated List II chemical on 3 October 1996 under the Comprehensive Methamphetamine Control Act of 1996. The DEA encourages all distributors of iodine to know their customer before they unwittingly become a supplier to a clandestine methamphetamine laboratory, and report all suspicious activity to their closest law enforcement agency and the DEA advises all distributors of iodine that it is unlawful for chemical, product or material which may be used to manufacture a controlled substance or listed chemical, knowing, intending, or having reasonable cause to believe, that it will be used to manufacture a controlled substance or listed chemical in violation of the Controlled Substances Act 21 U.S.C. 843(a)(7). Persons who violate 21 U.S.C. 843(a)(7) may be subject to 10 years' imprisonment and/or up to \$30,000 fine per violation.

Raising working capital to fund development and consequences of doing so

The business of the Group may require the Company to raise substantial further working capital in order to fund the growth of the Group. The Directors intend to channel all resources for the foreseeable future into the development of the Atlantis Prospect and the accumulation of additional acreage in the region. They do not currently intend to grow the Group through further acquisitions in the foreseeable future. There will in due course be a need for the Group to raise additional funds for further development as set out in paragraph 11 of Part I of this document. Whilst the Directors currently believe that they will be able to do so, the prevailing market conditions may in the future not allow for such a fundraising.

Dilution of existing shareholders

The Directors intend that the Group should be able to issue new Ordinary Shares as consideration for further acquisitions and/or raise additional working capital for the Group as required. Insofar as such new Ordinary Shares are not offered first to existing Shareholders, then their interests in the Group will be diluted.

Litigation

Legal proceedings may arise from time to time in the course of Group's business. There have been a number of cases where the rights and privileges of natural resource companies have been the subject of litigation. The Directors cannot preclude that such litigation may be brought against the Group in the future from time to time or that it may be subject to any other form of litigation.

Gearing and interest rates

Prospective investors should be aware that the Company may choose to raise further funds in the form of debt. The use of borrowings creates the risk that the borrower may be unable to service the interest payments or comply with the other requirements of the lender.

Considerations relating to a quotation on AIM

Volatility of the share price

The price at which the Ordinary Shares trade may be highly volatile. In addition, international stock markets have from time to time experienced significant price and volume fluctuations that affect the market prices for securities. These fluctuations are likely to recur so that fluctuations in the price of Ordinary Shares may be unrelated to the Group's operating performance or prospects. General economic, political and market

conditions may materially adversely affect the Group's share price. Furthermore, the Group's operating results and prospects may from time to time be below the expectations of management, market analysts and investors. Any of these events could result in a material decline in the price of Ordinary Shares. Shareholders may, therefore, realise less than their original investment. The market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets or operations.

Marketability

Shareholders should be aware that the Ordinary Shares of the Company are traded only on AIM, the junior market of the London Stock Exchange, which specialises as a primary and secondary equity market service for small and mid-cap company shares, both domestic and international, representing a wide range of sectors and all stages of development, but is a market which, currently, has a lower level of liquidity when compared to the main market of the London Stock Exchange. Therefore, there is no guarantee that there will be sufficient market liquidity to support future significant fund raising for the Company.

Considerations relating to future prospects

Forward-looking statements

This document contains "forward looking statements" that reflects the Directors' current expectations and projections about the Group's future results. When used in this document words such as "estimate", "intend", "expect", "anticipate", "planned" and similar expressions are intended to identify forward looking statements, which are, by their very nature, not guarantees of the Group's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Group's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by these forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risk and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, the Group's ability to develop its existing or new resources, competition, changes in development plans and the other risks described in this document. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward-looking statements are correct only as at the date of this document. Investors are cautioned not to place undue reliance on these forward-looking statements. The Group will not undertake any obligations to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this document except as required by law or by any regulatory authority.

Lack of dividends for the foreseeable future

For the foreseeable future, the Group intends to retain any future earnings for the business and therefore the Company does not anticipate paying dividends in the short to medium term.

Market forces

The Group may not be able to find customers for its product, when it commences production. The Group's major competitors may have significantly greater financial resources than those available to the Group. There is no certainty that the Group will be able to achieve profitability over the long term.

Taxation

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

The risks above do not necessarily comprise all those associated with an investment in the Company.

PART III

SECTION A

COMPETENT PERSON'S REPORT



2 May 2008

The Directors
Iofina plc
82 St. John Street
London, EC1M 4JN

The Directors
Strand Partners Limited
26 Mount Row
London, W1K 3SQ

Re: Independent Evaluation of the Assets of Iofina plc

Dear Sirs,

MHA Petroleum Consultants, Inc. ("MHA") was appointed by Iofina plc ("Iofina") to undertake an independent review of certain sub-surface hydrocarbon assets in Montana, USA which Iofina proposes to develop for the purposes of recovering and marketing natural gas and iodine. The Iofina assets comprise almost 30,000 net acres located in what is referred to as the Atlantis Prospect, which is located in Montana. The entire target area of the Atlantis Prospect consists of almost 300,000 acres. Iofina is acquiring additional acreage on a daily basis. For the purposes of this report, we have used a cut-off date of 1 February 2008 to define the current Iofina assets.

The MHA evaluation indicates the following recoveries are possible from an estimated gas-in-place resource of 155.6 billion cubic feet of gas ("Bcf") and potential iodine-in-place of 100.6 million Kg in the Eagle and Virgelle formations exclusively:

	<i>Cumulative Natural Gas Prod'n (Bcf)</i>	<i>Recovery Factor</i>	<i>Cumulative Iodine Prod'n (000's Kg)</i>	<i>Recovery Factor</i>
High Case	124.6	80%	52,689	52%
Mid Case	98.0	63%	37,235	37%
Low Case	79.2	51%	26,770	27%

Economic modeling by MHA on an indicative success basis produced the following results:

Indicative Success Valuation – Summary Table

<i>Results Summary</i>	<i>High Case (no brine decline)</i>	<i>Mid Case (Mid brine decline)</i>	<i>Low Case (High brine decline)</i>
Total Natural Gas Production, Before Economic Limit, BCF	124.6	98.0	80.1
Total Natural Gas Production, After Economic Limit, BCF	124.6	98.0	79.8
Total Iodine Production, Before Economic Limit, mm KG	52.7	37.2	27.7
Total Iodine Production, After Economic Limit, mm KG	52.7	37.2	27.4
Production Start Year	2008	2008	2008
Production End Year	2047	2047	2046
Undiscounted Free Cashflow, millions of \$US	1391.8	819.0	442.9
Discounted (@10%) Free Cashflow, millions of \$US as at 1 January 2008	224.02	170.58	131.30
Discounted (@10%) Equity Value, millions of \$US as at 1 January 2008	226.12	172.69	133.40
Discounted (@10%) Equity Value, millions of GBP as at 1 January 2008	113.2	86.5	66.8

The accuracy of resource and economic evaluations is always subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quantity and quality of data available for analysis. As a project matures and new information becomes available, revisions may be required which may either increase or decrease the previous resource assignments. Sometimes these revisions may result not only in a significant change to the resources and value assigned to a property, but also may impact the total company resources or economic status.

The forecasts of resources contained in this report were based upon a technical analysis of the available data using accepted engineering principles. It is MHA’s opinion that the estimated resources as specified in this report are reasonable, and have been prepared in accordance with generally accepted petroleum engineering and evaluation principles. MHA makes no warranties concerning the data and interpretations of such data. In no event shall MHA be liable for any special or consequential damages arising from Iofina’s use of MHA’s interpretation or reports produced as a result of its work for Iofina.

Neither MHA, nor any of our employees have any interest in the subject properties and neither the employment to do this work, nor the compensation, is contingent on our estimates of reserves and resources for the properties in this report. This report was prepared for the exclusive use of Iofina, save as set out in the following paragraph, and will not be released by MHA to any other parties without Iofina’s written permission.

We confirm that we have given our written consent for the inclusion of our report and to references to our report contained in Part III of the Admission Document in the form and context in which they appear and have not withdrawn our consent and we authorize the contents of our report for the purpose of the AIM Rules for Companies and accept responsibility for it. We confirm that to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in our report is in accordance with the facts and does not omit anything likely to affect the import of such information.

It has been a pleasure to prepare this evaluation for Iofina. Please do not hesitate to contact me should you have any questions regarding this report.

Kindest regards,



Timothy L. Hower
President – MHA Petroleum Consultants, Inc.

Table of Contents

	<i>Page</i>
1.0 Introduction and Background	39
2.0 Overview of the Resource	42
2.1 Natural Gas	42
2.2 Iodine	48
3.0 Reservoir Simulation of Brine Production	49
4.0 Economic Valuation	51
4.1 Production Profiles and Recovery Factors	51
4.2 Capital Costs and Operating Expenses	53
4.3 Royalties and Taxes	55
4.4 Overhead and Interest on Loans	56
4.5 Marketability and Product Prices	56
4.6 Other Factors	59
4.7 Valuation Summary	59
5.0 Conclusions	60
5.1 Summary of the Project	60
5.2 Interpretations and Representations of Iofina	61
5.3 Risks and Uncertainties	61
6.0 Professional Qualifications	62
7.0 References	62
Appendix 1 – Reserve and Resource Definitions	64
Appendix 2 – Cash Flow Summaries and Sensitivities	68

1. Introduction and Background

The Eagle and Virgelle Sandstones of late Cretaceous age are the current primary reservoir targets of the Atlantis Prospect. The reservoir interval consists of approximately 300 feet of clastic sediments confined within thick sequences of marine shale. The prospective reservoir is a shallow (1000-1500 ft.) artesian “sub-aquifer” consisting of sandstone, siltstone, shale, and minor coal. The term “sub-aquifer” is used here to indicate that portion of a regional aquifer possessing characteristics rendering it inferior for beneficial domestic use. Such characteristics include deteriorating water quality (due to increased salinity), broadly lower transmissivity (permeability), and increasing depth below the surface. Organic material is present throughout the reservoir interval, and the formations are well known for generation of biogenic methane from the thermally immature sediments.

Southeast of the Atlantis Prospect area (see location map, Figures 1a and 1b), shallow prolific biogenic methane gas production occurs in conventional structurally controlled accumulations producing from Eagle and Virgelle Sands surrounding the Bear Paw Uplift. The giant unconventional SE Alberta Gas Field is located to the northwest of the prospect area and contains reserves estimated in excess of 7 trillion cubic feet (“Tcf”) of biogenic methane in Milk River (Canadian stratigraphic equivalent to the Eagle/Virgelle zones of Montana) strata at shallow depths ranging from 800-1300 ft.

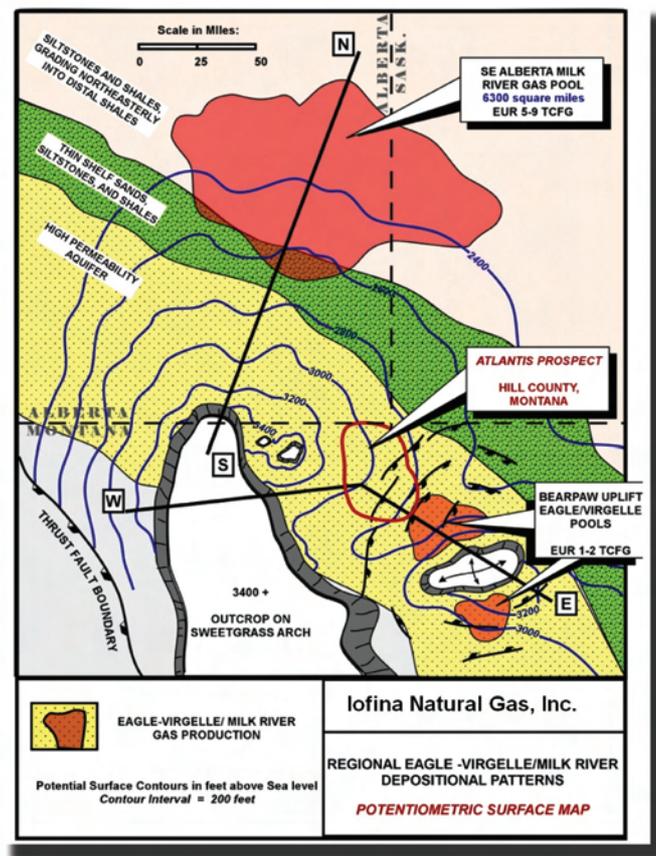


Figure 1a: Regional location of the Atlantis Prospect

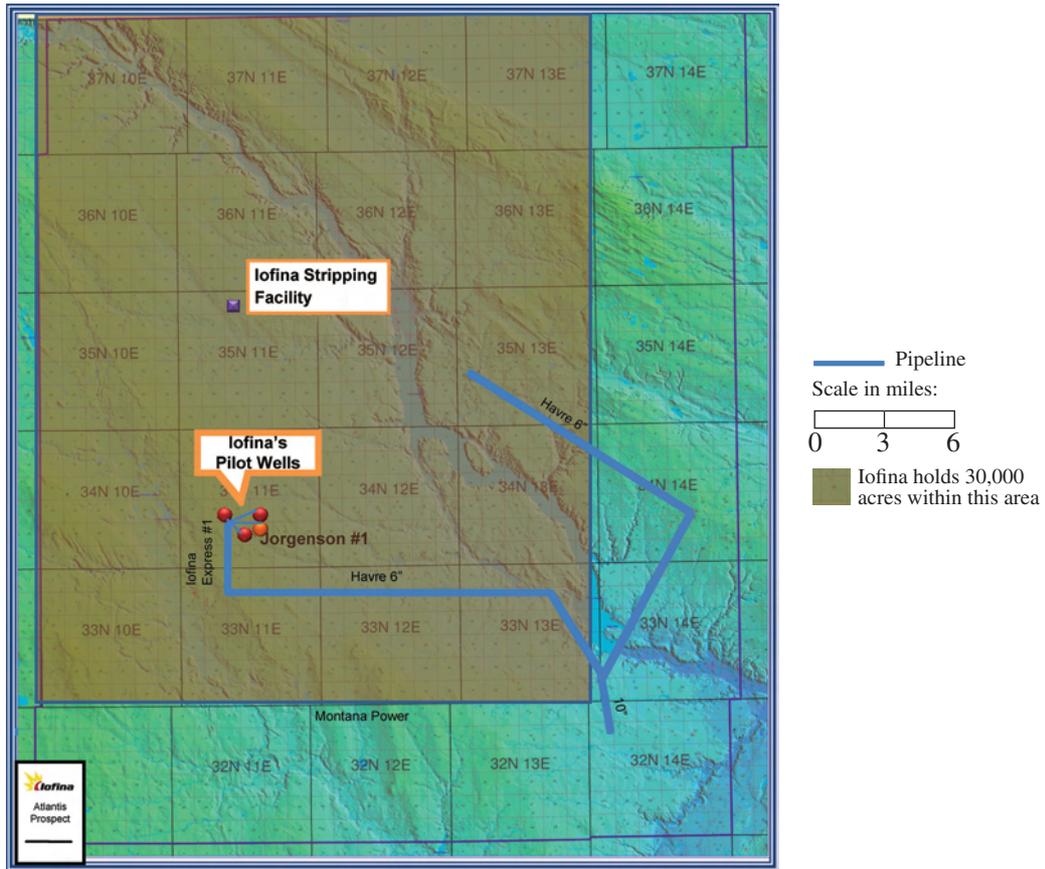


Figure 1b: Enlarged map of Atlantis Prospect Area

Significant evidence exists in the Atlantis Prospect area to demonstrate the presence of a thick reservoir having highly variable porosity and permeability characteristics containing water, biogenic methane saturation, and adsorbed methane associated with low permeability siltstones and shales. The methane is trapped regionally in the fine-grained portion of the reservoir by hydrologic and capillary conditions similar to those existing in the SE Alberta natural gas accumulation. Detailed geologic and engineering analyses of the Milk River accumulation in SE Alberta indicate a hydrodynamic trapping condition for the reservoir with gas being trapped structurally down-dip from water. The gas reservoir is formed where a regional facies change to finer-grained sediments (smaller pore throats) occurs down-structure creating a condition where capillary pressure forces exceed the buoyant forces acting within the methane/water fluid system of the reservoir. Dynamic fluid flow conditions in the more permeable water bearing up-dip aquifer play an important role in localizing this giant reserve of biogenic methane (Figure 2).

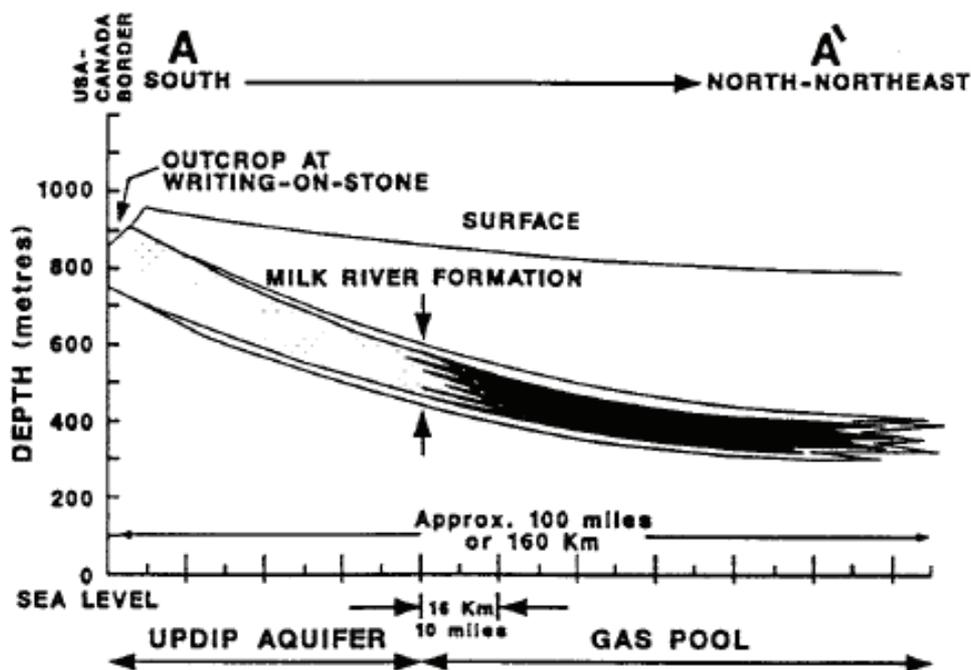


Figure 2 SE Alberta Milk River trapping mechanism
(Source SPE 22922; Ref. 1)

Whereas the free gas reservoir and the updip aquifer are laterally (geographically) segregated in the giant SE Alberta accumulation, it is believed that the Atlantis Prospect area represents more of a transition zone between updip aquifer and down-dip areas of structurally controlled free gas accumulations. Within this transition zone, the contrasting coarser and finer-grained facies are combined and inter-mixed vertically within the reservoir. The result is a thick package of high permeability sands containing brine with dissolved gas (and possibly some biogenic methane trapped at low residual saturations), as well as low permeability shales and siltstones containing adsorbed methane. High volume water production will be required to lower reservoir pressure and initiate methane production. This production mechanism relies on both the high volume water artificial lift “co-production” techniques utilized in the enhanced recovery of residual gas trapped behind an advancing water front in a water-drive gas reservoir (Ref. 2), and gas production through desorption from unconventional coal and shale gas resources.

The unconventional reservoir classification that best fits the Iofina project, though somewhat misleading, would be “brine” gas. The presence of methane in sediments and sub-surface brines has been researched and documented extensively. Most brine-filled clastic reservoirs contain methane in small concentrations approximating the solubility of methane in the brine for the given pressure and temperature conditions of the reservoir. Production of methane from these reservoirs rarely achieves more than by-product status. Known “brine” gas occurrences rarely demonstrate viable extraction economics and accordingly have not been actively pursued by the petroleum industry.

In specific situations, however, certain clastic reservoir characteristics coupled with the proper hydrologic conditions can result in the occurrence of significant natural gas reserves that can be commercially exploited, such as those in Japan as discussed below. The Iofina Atlantis Prospect area appears to be such a situation. The thick interval of high permeability sands containing brine with dissolved gas, in combination with low permeability shales and siltstones containing adsorbed methane, results in an in-place gas resource estimated at over 150 Bcf of gas associated with only the current leases held by Iofina. When this gas resource is combined with a process which removes iodine from the produced brine, the result is a project with very favorable economics. If Iofina continues to acquire additional contiguous acreage within the prospect area, the resource volume will continue to increase.

Iofina has identified and field tested production of iodine from iodine enriched brines located within the Atlantis Prospect area in Hill County, Montana. Iofina plans to extract iodine from produced brine in this

area using the company's proprietary Wellhead Extraction Technology™ (“WET”™). A separate Iodine Expert Report, prepared by Armour Associates, Ltd. (Ref. 3), has certified the iodine extraction process and confirmed both the efficiency of the iodine recovery (in excess of 70 per cent.) and the iodine concentration (53 ppm) in the produced brine. Separately, MHA has evaluated and confirmed the in-place natural gas resource and developed projections of natural gas production associated with the production of brine from the Iofina leases. Collectively, these parameters have been included in the economic analyses conducted by MHA and the valuation presented in this document.

Although differences exist, Japan's Southern Kanto gas field represents the best analogy to Iofina's Atlantis Prospect. Clastic sediments in the Chiba Basin east of Tokyo have produced significant quantities of methane from shallow brine-filled sediments. The brines in the region have been produced for iodine extraction since 1934, and the area has accounted for a significant portion of the world's iodine production. Although coal beds are not present in these Japanese reservoirs, methane production curves from these fields often demonstrate the same “negative decline” curve exhibited by shale gas and coal bed methane reservoirs. The natural gas produced in Chiba is stored in stratum consisting of sedimentary sandstone and mudstone. It is estimated that the Southern Kanto gas field contains a maximum gas-in-place of 13.2 Tcf (Ref. 4).

Iofina currently has accumulated and controls approximately 30,000 mineral acres in the Atlantis Prospect area, and continues to acquire additional acreage on a daily basis. MHA's evaluation of the natural gas and iodine recovery project of the Eagle and Virgelle formations associated with this current acreage, and our valuation of the Iofina assets are presented within the following sections of this CPR document.

2. Overview of the Resource

2.1 Natural Gas

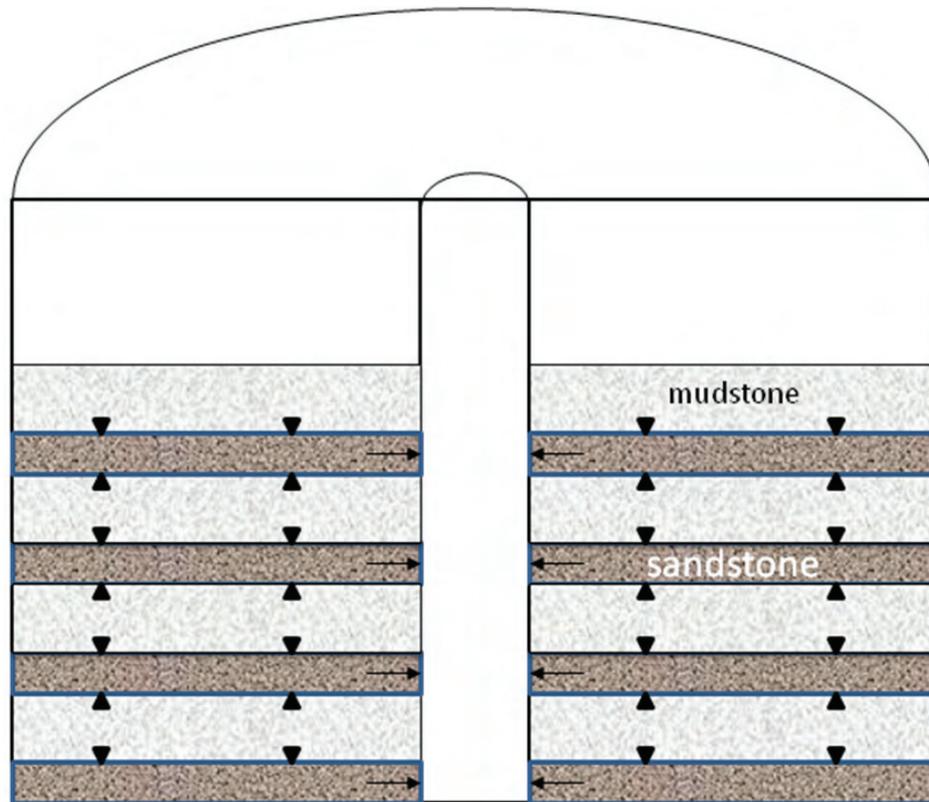
Most of the available literature that discusses the physics of storage and production of natural gas from this type of unconventional reservoir is based on results from the iodine and brine gas production industry in Japan. Over the years, opinions have evolved in respect of the mechanism of gas storage associated with brine gas production. However, a common factor that has generally been associated with commercial levels of gas production is a high silt/shale content in the gross sand package of the reservoir.

Early research (Ref. 5) compared the gas production from the Chiba reservoirs to solution gas drive oil reservoirs. The low permeability sections of the reservoir were postulated to restrict water influx allowing the “solution gas drive” process from the brine to serve as the energy needed for production. Later research (Ref. 6) concluded that free gas contained in the mudstone facies of the reservoir was the dominant control on the producing mechanism for the Japanese dissolved gas reservoirs. Gas was thought to flow vertically through the mudstone into adjacent sandstone layers. Further, low permeability in the sandstone layers was deemed beneficial to the process as it accelerated the pressure drawdown and contributed to high gas-water ratios.

However, MHA believes more recent studies provide a more accurate explanation for the gas and water co-production process. Arihara, et al (Ref. 7), eloquently describe the process as follows:

“The water-dissolved gas reservoir under this study has two distinct features which affect flow behaviour, i.e. multi-layered sandstone and mudstone of strong permeability contrast, and sorption of gas in tight mudstone. Large amounts of brine need to be lifted by pumps or gas lift to produce desorbed gas and water-dissolved gas. As pressure declines with water production, gas is desorbed from mudstone and flows into neighbouring sand layers which act as two-phase flow conduits to production wells as schematically shown in Figure 3. These features are similar in many aspects to methane producing coalbeds or coal seams.”

Production data for one of the key test wells located within the Iofina Atlantis Prospect area is shown on the next page in Figure 4. The Mendell Jorgenson #1 well was completed across the entire Virgelle sand interval, having a total thickness in excess of 60 feet. Thirteen months of production data were provided, during which the well was shut-in intermittently due to problems with the downhole pumps failing. The distinct feature of the production profile is that at the start of each production period, the well begins producing with a gas-water ratio (“GWR”) of approximately 5 scf/stb. The GWR then increases rapidly to a maximum value of between 30 to 35 scf/stb. The rise in GWR is accompanied by a corresponding decrease in the flowing bottom hole pressure.



**Figure 3 Flow of desorbed gas from mudstone layers into adjacent sandstone layers
(Source SPE 49977; Ref. 7)**

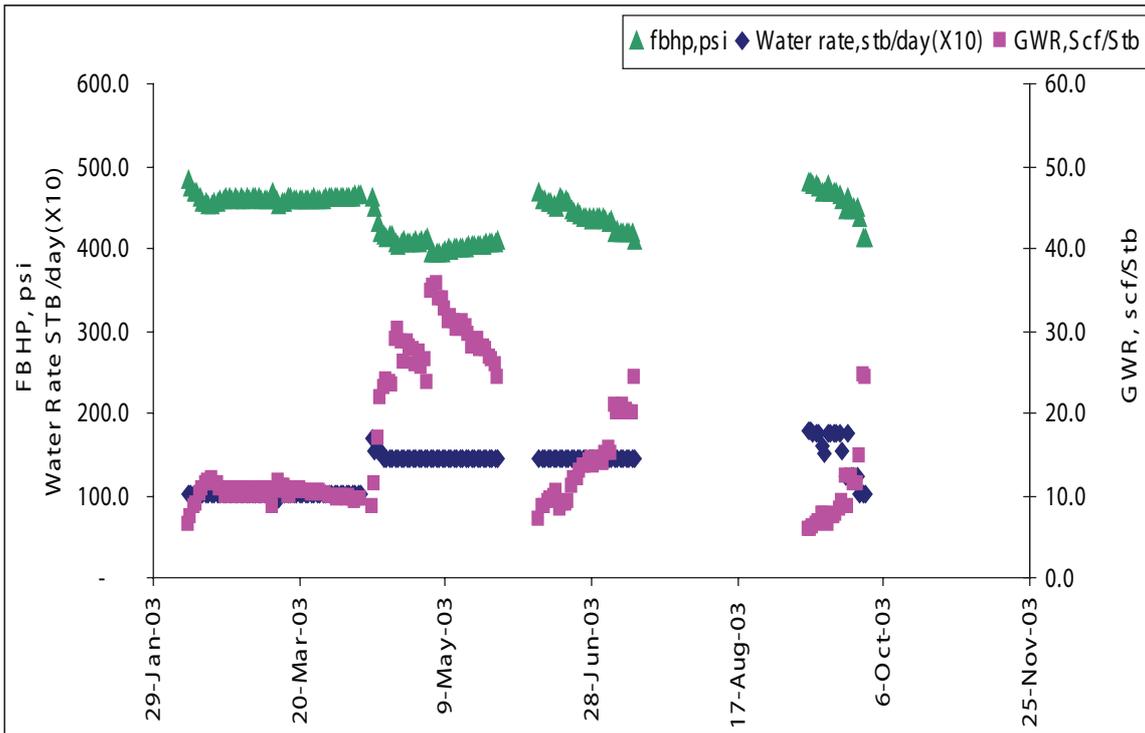


Figure 4 Production of Mendell Jorgenson #1 well

The production history of the Mendell Jorgenson #1 well provides an excellent illustration of the parameters which MHA believes control gas storage and deliverability in this project. The initial, or minimum, GWR of 5 scf/stb represents the amount of natural gas that is dissolved in the brine at reservoir pressure and temperature (Figure 5).

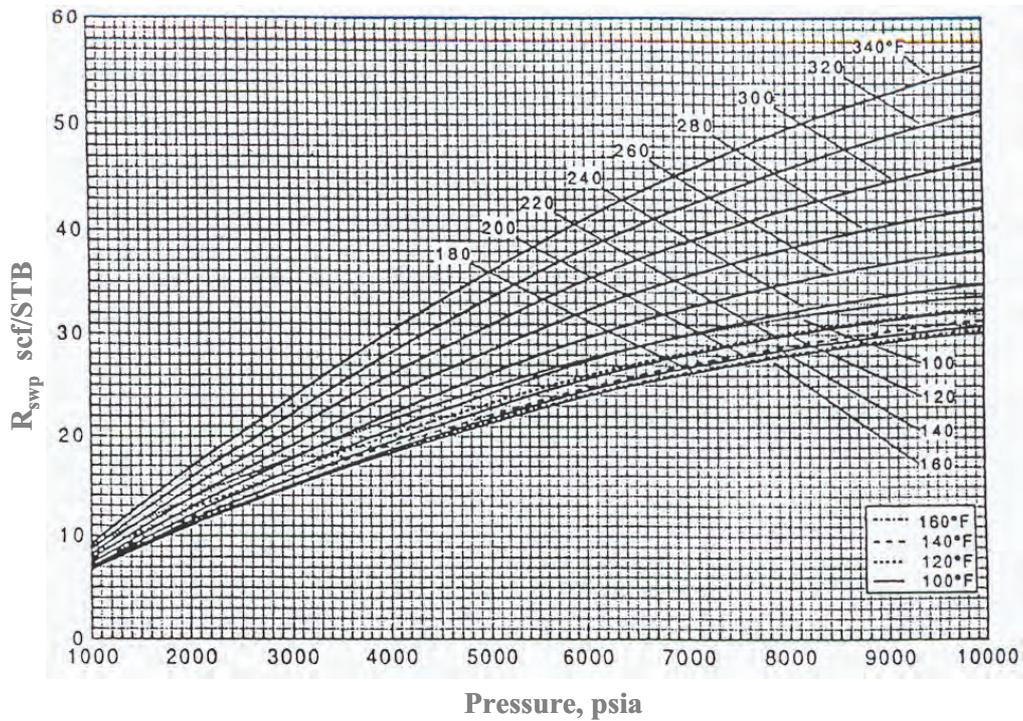


Figure 5 Gas Solubility in Water
(Source Ref. 8)

As shown in Figure 5, at a reservoir pressure of approximately 500 psi (off of the left side of the figure), the curves on the graph will converge to a value of about 5 scf/stb. This is consistent with the measured GWR in the Mendell Jorgenson #1 well at the start of each production period.

Once production has been established, the GWR begins to increase and the gas production rate exhibits the “negative decline” that is characteristic of desorption controlled gas production. This additional gas production, above the base-line 5 scf/stb value, is due to gas being desorbed from the shales and siltstones inter-bedded in the gross sand package. A pressure drop is required to initiate the gas desorption from the silts and shales. The desorbed gas moves into the higher permeability sand intervals and is produced along with the brine.

In order to be able to estimate the volume of natural gas resources in place associated with the Atlantis Prospect, it was first necessary to estimate the bulk volume of Eagle and Virgelle sands located beneath the Iofina acreage position. A gross sand thickness map was provided to MHA by Iofina which shows that the main prospect area is that region enclosed within the area of maximum artesian flow conditions. Artesian flow describes the situation where the bottom hole reservoir pressure in a well is sufficiently large such that the well will initially flow naturally without the need for artificial lift.

MHA took the Iofina isopach map and superimposed on that map the location of the leases owned by Iofina as of 1 February 2008.

As a check on the Iofina interpretation of the gross sand thickness, MHA used an independently generated isopach map of the Eagle and Virgelle sands across the same area using completely independent sand thickness calculations at each well.

Volumetric calculations were then performed on both sets of isopach maps to determine the bulk volume of gross sand located beneath the leases owned by Iofina that were within the area of maximum artesian flow, as indicated by the red polygon on the maps. The results of those calculations are presented below:

Net current Iofina acreage position within area of maximum artesian flow ~ 28,000 acres

Bulk volume of gross sand interval; Iofina interpretation(Fig.7) = 184.065 billion ft³

Bulk volume of gross sand interval; independent interpretation(Fig. 8) =178.645 billion ft³

Difference between the two interpretations ~ 3 per cent.

Based on the very close comparison of the two isopach interpretations, MHA confirmed the Iofina interpretation of gross sand thickness.

The MHA interpretation of the gas storage mechanism at the Iofina Atlantis Prospect is that of a two-part system. A portion of the gas resource is located as dissolved gas stored in the brine. This gas would be associated with the high porosity, high permeability sand packages within the gross interval. The remainder of the gas resource is stored as adsorbed gas on the low permeability siltstones and shales located within the gross interval. In order to accurately estimate the total in-place gas resource, the calculated bulk volume of the gross sand interval, as discussed above, would need to be subdivided into high quality sand and low quality silts/shales. A copy of the well log from the Mendell Jorgenson #1 well is shown in Figure 6. The high quality sands would be those sections highlighted in black and identified as “pay sands” on the second log track from the right. Zones not highlighted in black on this track would represent the lower quality silts and shales

MHA reviewed detailed petrophysical analyses conducted on the Mendell Jorgenson #1 well (Ref. 9), core measurements from the Salmon Resources Jorgenson #1-R well, along with well logs from dozens of penetrations through the Eagle and Virgelle sands across the area. As a result of this evaluation, MHA determined that a representative split between highly porous and permeable sands versus lower quality silts and shales for the overall area was 50/50.

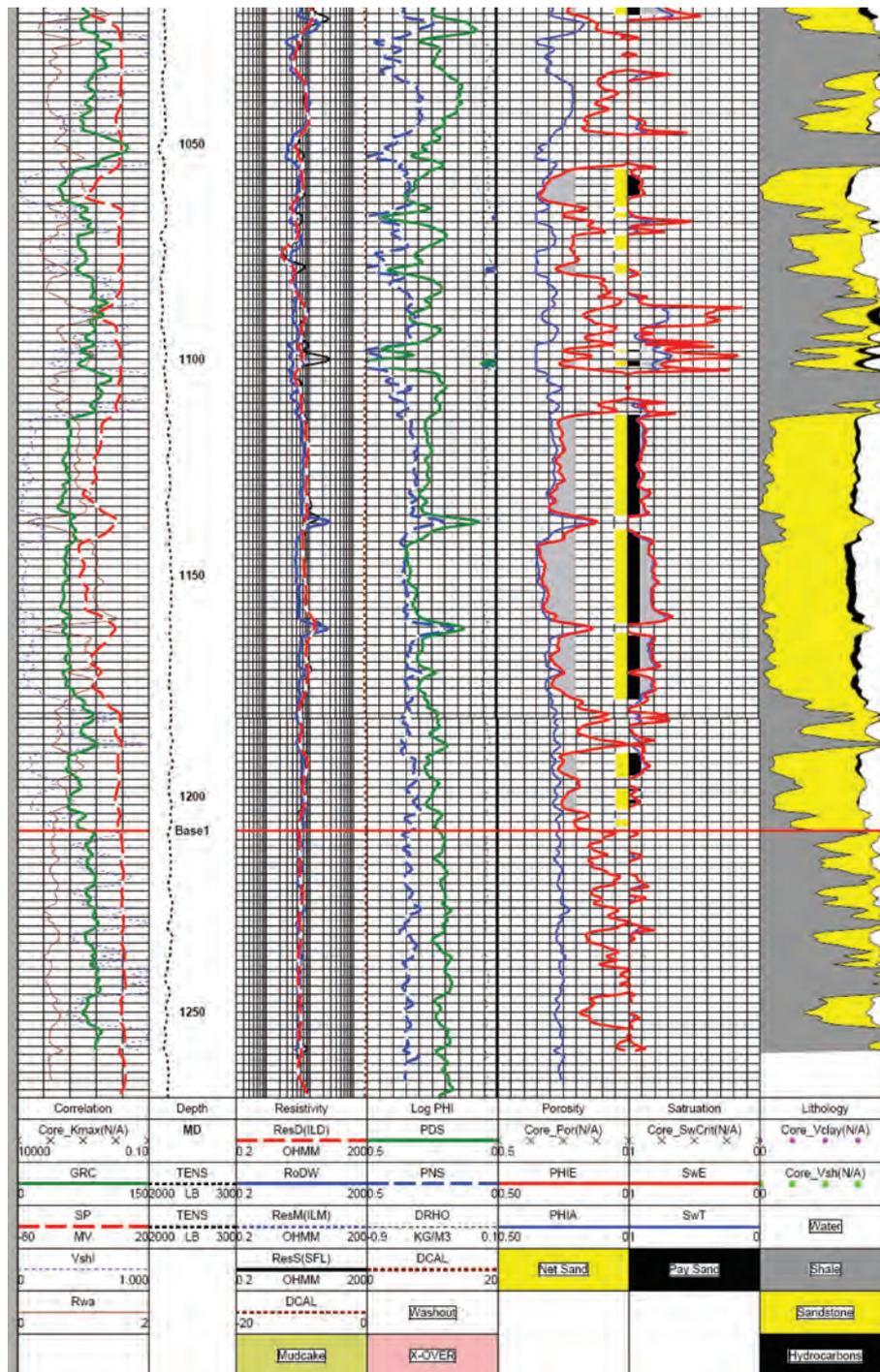


Figure 6 Mendell Jorgenson #1 Well Log

To calculate the amount of dissolved gas stored in the brine, it is necessary to know the porosity of the sands and the initial water saturation. The average porosity across the pay sands in the Mendell Jorgenson #1 well was 27.5 per cent. (Ref. 9). This value is supported by the core measurements from the Jorgenson #1-R well. The petrophysical calculations conducted by Ryder-Scott Company on the Mendell Jorgenson #1 well (Ref. 9) also indicated a free gas saturation in the brine of approximately 17 per cent. However, as Ryder-Scott correctly noted in their report, that estimate of free gas saturation was made using conventional methods while the reservoirs under consideration are quite unconventional. As such, the estimate of the gas saturation could be prone to large errors. For the purposes of this CPR, MHA chose to conservatively assume that there was no free gas stored within the brine in the high quality sand intervals; any gas resource in these sands would be dissolved gas in the brine.

Thus, MHA estimated the amount of gas-in-place stored in the brine associated with the Iofina acreage position in the Atlantis Prospect as:

$$\text{Bulk volume} * \text{fraction of net sand} * \text{porosity} * \text{water saturation} * \text{solution gas-water ratio}$$

$$(178.645 \text{ E9 ft}^3 / 5.615 \text{ ft}^3 \text{ per bbl}) * 0.5 * 0.275 * 1.0 * 5.0 \text{ scf/bbl} = 21.9 \text{ Bcf}$$

The second component of the in-place gas resource of the Atlantis Prospect is the gas adsorbed on the siltstones and shales. To accurately calculate this resource, it is necessary to determine the gas content of the silts/shales, and one also needs to estimate the mass of rock (in tons) available to store the adsorbed gas. There are no laboratory measurements of gas content available for the low permeability sections of the Eagle and Virgelle sands. To overcome this limitation, MHA reviewed the research available from the gas fields in Japan and found the correlation on the following page which was measured from the mudstones in the Chiba basin region (Figure 7). As Figure 7 shows, the adsorbed gas content of the mudstones in the Japanese gas fields attains a maximum value of approximately 0.75 cc/g, which is equivalent to 24 scf/ton.

MHA experience in evaluating coal and shale gas assets indicates that a reasonable bulk density value for silts or mudstones is approximately 2.0 g/cc. This is equivalent to a density value of 2717 tons/acre-foot of bulk rock. With this bulk density value, and the maximum gas content value determined from the graph in Figure 7, MHA estimated the amount of gas adsorbed on the siltstones and shales associated with only the current Iofina acreage position in the Atlantis Prospect as:

$$\text{Bulk volume} * \text{fraction of silts/shales} * \text{bulk density} * \text{gas content of the rock}$$

$$(178.645 \text{ E9 ft}^3 / 43,560 \text{ ft}^3 \text{ per acre-foot}) * 0.5 * 2717 \text{ tons/acre-foot} * 24 \text{ scf/ton} = 133.7 \text{ Bcf}$$

Therefore, the volumetric assessment by MHA conducted on the Eagle and Virgelle sands associated with the Iofina acreage located within the Atlantis Prospect indicates a total gas in place resource of

$$\text{Total Gas-In-Place} = 133.7 \text{ Bcf} + 21.9 \text{ Bcf} = \mathbf{155.6 \text{ Bcf}}$$

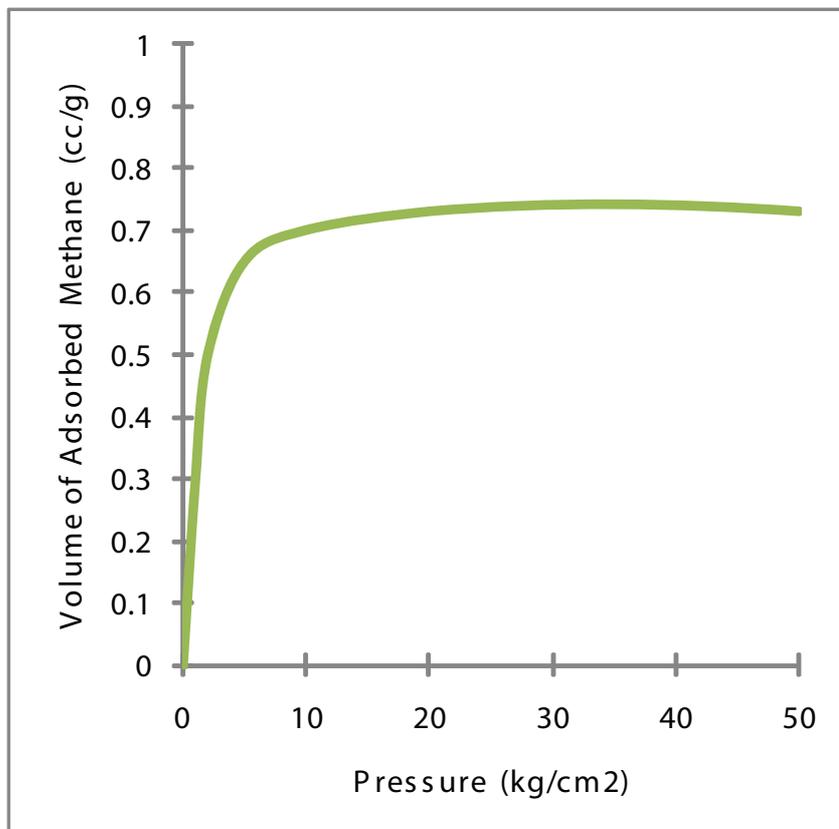


Figure 7 Gas content of mudstone, Mobara type reservoir
 (Source: Journal of the Japanese Association for Petroleum Technology; Ref. 10)

The net Iofina acreage associated with the 155.6 Bcf of total gas-in-place was estimated at approximately 28,000 acres. This corresponds to a gas-in-place volume of 3.6 Bcf per 640 acre section. For comparison, the gas-in-place estimate generated by Ryder-Scott in 2005 (Ref. 9), based upon a free gas saturation in the brine of 17 per cent., was 4.5 Bcf per 640 acre section. The MHA result, based upon the an evaluation of the gas dissolved in the brine and the gas adsorbed on the siltstones and shales, represents a more conservative estimate.

It is the opinion of MHA that this gas represents a Contingent Resource as defined in the SPE Petroleum Resources Classification System and Definitions (see Appendix 1).

2.2 *Iodine*

As part of the work done for this CPR, MHA did not independently evaluate the iodine assets of Iofina. That evaluation was reported under a separate iodine qualified IER by Armour Associates, Ltd. (Ref. 3). MHA did, however, review the Armour IER, and we have incorporated information from that evaluation into our assessment of the Iofina Atlantis Prospect.

In respect of the MHA evaluation, the critical findings from the Armour IER were as follows:

- The Iofina technology has been proven. Field production units using the Iofina Wellhead Extraction Technology™ (“WET”™) have been assembled and operated in the Atlantis Prospect area of Montana.
- The average yield on the iodine production units was equal to or greater than 70 per cent. This means that 70 per cent. of the available iodine in the brine that was passed through the production unit was recovered as elemental iodine.
- Armour advised MHA to use an average of 53 parts per million (“ppm”) iodine concentration in the Virgelle formation and 48 ppm concentration in the Eagle formation. MHA used a value of 50.5 ppm in our calculations.

In order to make an estimate of the potentially available iodine resource associated with the Iofina Atlantis Prospect, one must consider the regional influence of the aquifer and the ability of that aquifer to recharge the water that is produced from the Eagle and Virgelle formation. In the petroleum industry, aquifers are typically characterized in terms of a ratio of the radius of the regional aquifer to the radius of the area under production. A radius ratio of one would indicate that there was no aquifer. In other words, the water supply was limited only to the water in place beneath the leases under production. From the regional mapping of the gross sand thickness of the Eagle and Virgelle formations, this is clearly not the case as the sands extend well beyond the area covered by the Iofina leases.

A radius ratio of two is normally the minimum one would assume. This indicates an aquifer of very limited extent. Because volume is proportional to the square of the radius, an aquifer with a ratio of two would contain four times the water volume relative to the amount of water beneath the leases under production. A ratio of ten would represent the other extreme as values of ten or more indicate an aquifer of nearly infinite extent. An aquifer with a ratio of ten would contain 100 times the water volume relative to the amount of water beneath the leases under production.

MHA chose a conservative approach to estimate the potentially available iodine resource associated with the Atlantis Prospect and assumed the regional Eagle and Virgelle aquifer volume would be defined by a radius ratio of two. As stated, this radius ratio implies that the aquifer contains four times the water volume relative to the amount of water beneath the producing area. As a check, MHA calculated the total gross sand volume within the entire area inside the region of maximum artesian flow. The result was a gross bulk volume of almost 10 times the value determined for the volume of sand associated with the Iofina leases. Based on this result, MHA was satisfied that the assumption of a radius ratio of two for the aquifer was both conservative and defensible. With this assumption, and the iodine recovery parameters provided to MHA by Armour, MHA estimates the potential available iodine-in-place as:

Water resource=Bulk volume*fraction of net sand*porosity*water saturation*volume ratio

$$(178.645 \text{ E9 ft}^3/5.615 \text{ ft}^3 \text{ per bbl}) * 0.5 * 0.275 * 1.0 * 4.0 = \mathbf{17.5 \text{ billion barrels of brine}}$$

Iodine-in-place=Water resource*water density*recovery efficiency*iodine concentration

$$(17.9 \text{ E9 bbls}) * (158.99 \text{ kg per bbl}) * 0.70 * (50.5/1,000,000) = 100.6 \text{ million kg iodine}$$

The SPE Petroleum Resources Classification System and Definitions (see Appendix 1) do not apply to elements such as iodine. As such, MHA has made no attempt to classify the in-place iodine resource associated with Iofina's Atlantis Prospect. The value calculated above was estimated primarily so that iodine recovery projections used in the economic analyses could be compared to the in-place resource to ensure reasonable recovery factors were being assumed.

MHA notes that the methods used to estimate natural gas resource-in-place and the iodine resource-in-place are somewhat inconsistent. MHA has confined the estimate of gas-in-place to the dissolved gas and the adsorbed gas associated only with the area under the Iofina leases. However, when estimating the iodine resource, MHA has accounted for water volumes which extend beyond those leases. One could argue that Iofina potentially could recover dissolved gas from brine, or gas desorbed from the mudstones, from areas which extend beyond their leases. However, to be conservative, and to maintain consistency with the SPE guidelines, MHA restricted its estimate of natural gas resources to only those areas associated with Iofina leases.

3. Reservoir Simulation of Brine Production

MHA conducted two simulation studies in support of this CPR. The first was a single well radial model built to investigate the production performance of the Mendell Jorgenson #1 well (Figure 4). As shown in the referenced figure, the well flowing bottom hole pressure reached a minimum stable value of approximately 400 psi when the well was flowing 1440 barrels of water per day. MHA modeled this performance and achieved a match on the flowing bottom hole pressures measured in the well with the following reservoir characterization:

Gross sand thickness	= 112 feet
Fraction of net sand	= 0.5
Porosity	= 27.5 per cent.
Permeability of net sand	= 900 millidarcies
Completion skin factor	= 20

The second simulation model constructed was a full-field model across the gross sand isopach interpretation. The purpose of this reservoir simulation was to evaluate the depletion performance of the sand under large-scale multi-well development. Production of natural gas, and production of iodine, are both tied to the volume of produced brine. Thus, one of the key performance parameters in generating any forecasts of gas and iodine production will be the rate of decline, if any, in the water production rate from the sands. Iofina's internal forecasts as provided to MHA assume over 1000 total wells will be drilled in 10-well pods across their current acreage. At this well density (less than 30 acres per well), the potential for well interference and significant decline in the long-term production rate of the brine could substantially impact project results.

MHA assumed that all wells used in the full-field model had the same characterization as the single well model described above. The gross sand thickness was allowed to vary per the isopach interpretation. Numerous sensitivity cases were run which varied the aquifer recharge rate, the total number of wells drilled (from 288 to 480), the number of wells per production pod (6 to 10), and the per well water production rate (600 to 1000 barrels of water per day). The results of the full-field simulation studies showed that with a large amount of recharge from the regional aquifer, there was no decline in the per well water production rate for cases run as long as 40 years. However, if the amount of water recharge from the regional aquifer was reduced or restricted, the decline in the brine production rate could be as significant as 4.6 per cent. per year. An illustration of one of the full-field simulation models is shown in Figure 8. The area shaded in blue in and around the production wells indicates an area of lower pressure due to the drawdown of the aquifer.

An example of the decline in water rate is shown in Figure 9 which illustrates the case with the maximum water decline of 4.6 per cent. As stated, numerous sensitivity cases were run and evaluated. Based on these results, the following scenarios were selected to generate production profiles for the economic evaluation:

High case – no decline in brine production rate
 Mid-case – 2.3 per cent. annual decline in brine production rate
 Low case – 4.6 per cent. annual decline in brine production rate

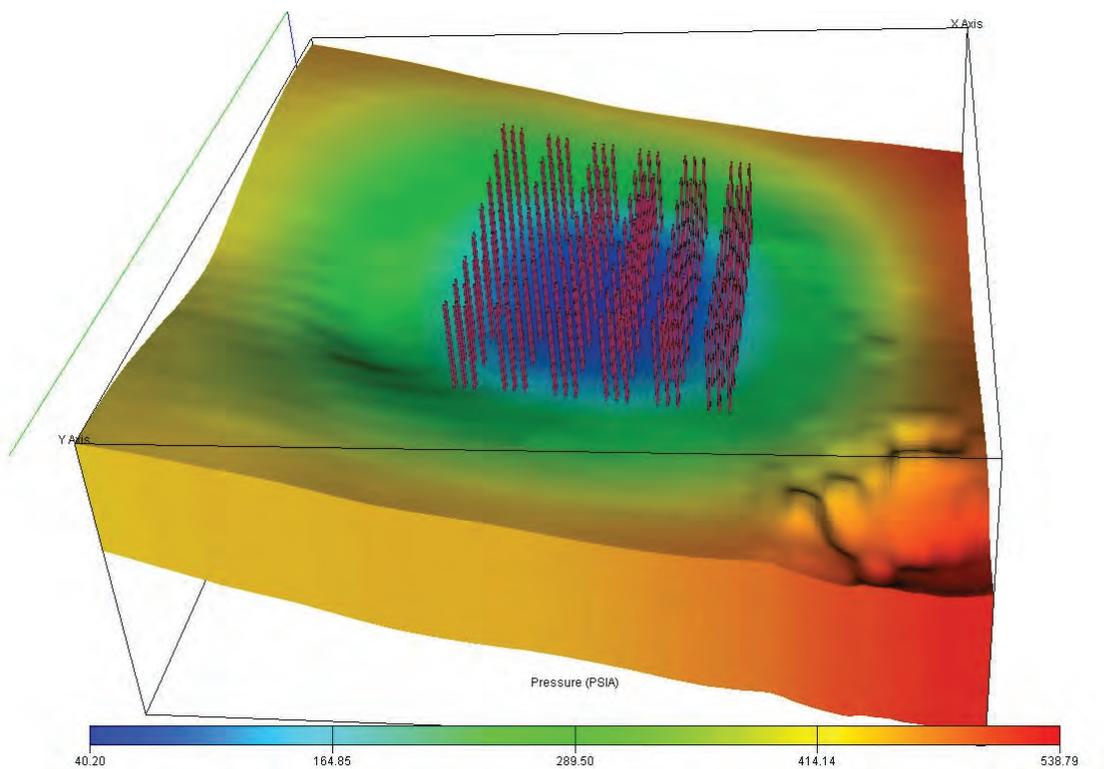


Figure 8 Reservoir simulation model used to evaluate well interference effects and the potential decline in brine production rate with time.

1000 B/d per Production Well
 Annual Decline 4.5%

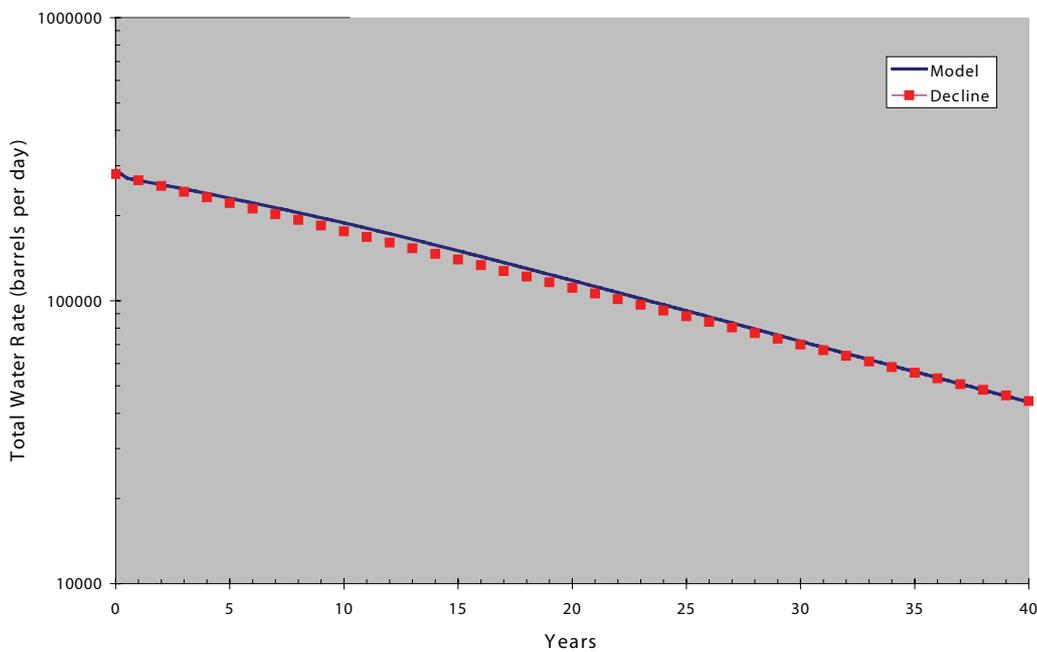


Figure 9 Example of decline in brine production as predicted by the full-field simulation model

4. Economic Valuation

4.1 Production Profiles and Recovery Factors

The following well drilling schedule was provided to MHA by Iofina:

2008	75 new production wells drilled
2009	141 new production wells drilled
2010	216 new production wells drilled
2011	316 new production wells drilled
2012	416 new production wells drilled
Total	1164 total production wells

Based on Iofina's current available acreage position within the area of maximum artesian flow conditions, the above drilling schedule results in a well density consistent with the MHA full-field simulation modeling. Following a detailed review of the available production from the Eagle and Virgelle sands in the region, as well as the single well reservoir simulation study, MHA assumed the following performance parameters to generate production profiles for the Iofina project:

Individual well initial water production rate (gas lift and artesian)	= 600 barrels per day
Producing gas-water ratio	= 25 scf/barrel
Resulting initial per well gas production rate	= 15 Mscf per day
Iodine recovery efficiency	= 70 per cent.
Iodine concentration in produced brine	= 50.5 ppm on average
Resulting initial per well iodine production rate	= 3.37 Kg per day

The assumed 600 barrels per day initial water production rate represents a conservative assumption used in the generation of the production profiles. The Mendell Jorgenson #1 well achieved sustained brine production rates of between 1000 and 2000 barrels per day. In addition, the permeability-thickness of the Eagle/Virgelle sand interval would support brine production rates in excess of 1000 barrels per day. However, given pump failure problems and down-time periods as the field matures that routinely occur with high volume co-production of gas and water, it was felt that the 600 barrels per day per well rate represented a reasonable estimate of the net water production rate attainable from an individual well factoring in possible periods when the well is off-line for repairs or work on the pumping equipment.

Along with the 0 per cent., 2.3 per cent. and 4.6 per cent. decline assumptions used in the brine production forecasts for the high, mid, and low cases, respectively, MHA assumed an additional 4.5 per cent. annual decline on the production of natural gas. Thus, the total effective annual decline on natural gas production for the three cases was 4.5 per cent., 6.8 per cent. and 9.1 per cent. for the high, mid and low cases, respectively. This additional decline on the natural gas production was determined via an iterative process so that final cumulative gas production figures from the forecasts would return reasonable recovery factors of the original gas-in-place of 155.6 Bcf. The decline on both the brine and natural gas production was assumed to begin one year after the completion of all drilling, or January 2014.

The production forecasts used in the MHA economic valuation are shown in Figures 13 and 14, and in Table 1. The estimated recovery factors, for both natural gas and iodine, relative to the estimated resource available are shown below:

	<i>Cumulative Natural Gas Prod'n (Bcf)</i>	<i>Recovery Factor</i>	<i>Cumulative Iodine Prod'n (000's Kg)</i>	<i>Recovery Factor</i>
High Case	124.6	80%	52,689	52%
Mid Case	98.0	63%	37,235	37%
Low Case	79.2	51%	26,770	27%

It is the opinion of MHA that the above recovery factors are reasonable and consistent with the density of development drilling and the production process planned for the Iofina Atlantis Prospect.

It is further the opinion of MHA that the gas volumes represent a recoverable Contingent Resource as defined in the SPE Petroleum Resources Classification System and Definitions (see Appendix 1). MHA has made no attempt to classify the iodine reserves.

**Iofina Atlantis Prospect
Natural Gas Production Profiles on Current Acreage**

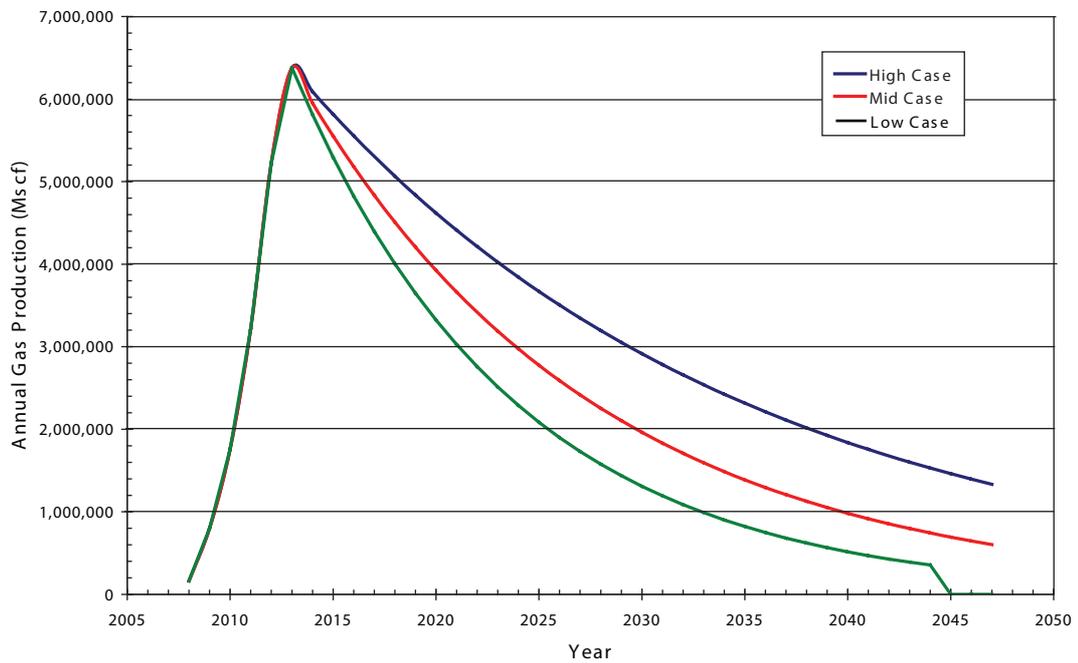


Figure 10

**Iofina Atlantis Prospect
Iodine Production Profiles on Current Acreage**

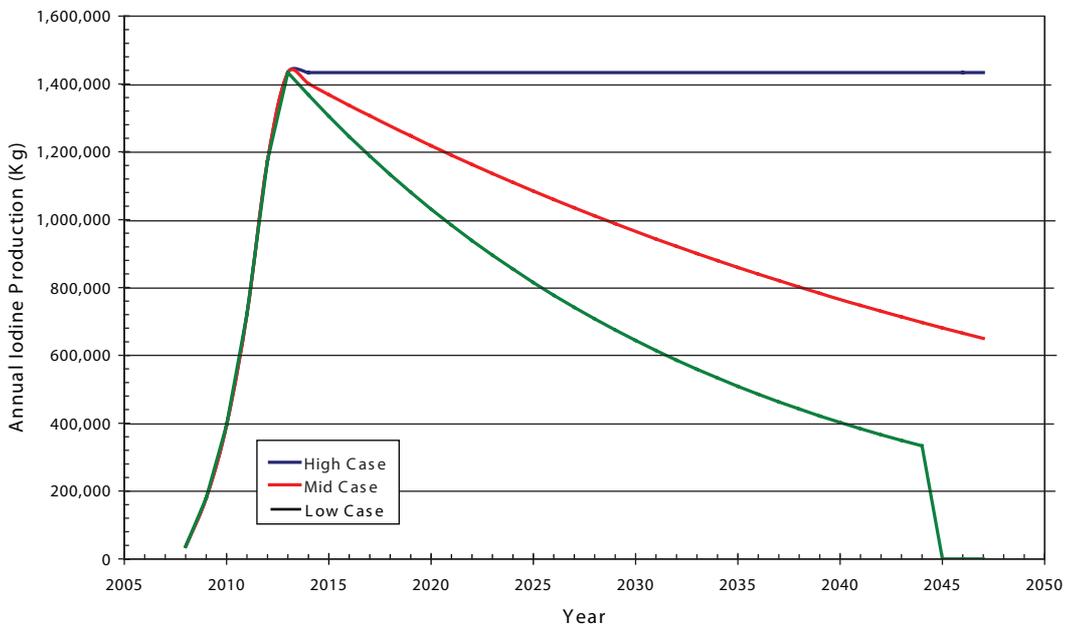


Figure 11

4.2 *Capital Costs and Operating Expenses*

Iofina has three primary capital expense (“CAPEX”) categories; one covers surface facilities, the second is for production wells, and the third is for injection wells. The three CAPEX items together comprise a “producing pod”. In addition to the above CAPEX items associated with the producing pods, CAPEX items were included for total project related costs, such as pipelines and drilling rigs. All CAPEX items were amortized and depreciated per International Financial Reporting Standards (“IFRS”).

In setting up the economic valuation, the field development plan was based upon an assumption of ten producing wells in each production pod. The production pods were limited to 600 barrels per day of brine per well based on the injection capability of 6,000 barrels per day. Therefore, each production pod consisted of ten producing wells, one injection well, and one WET™ iodine extraction unit. MHA used these assumptions for the entire 5-year development drilling program, which may be somewhat conservative. If it is determined that the injection wells are capable of injecting at higher rates (perhaps 8,000 to 12,000 barrels per day) or that a portion of brine can be purified and surface discharged for agriculture use, then the brine production rates associated with each pod could be increased.

Table 1 Production Forecasts used in the Economic Valuation

Year	<i>High Case</i>		<i>Mid Case</i>		<i>Low Case</i>	
	<i>Annual Gas Production (Mscf)</i>	<i>Annual Iodine Production (Kg)</i>	<i>Annual Gas Production (Mscf)</i>	<i>Annual Iodine Production (Kg)</i>	<i>Annual Gas Production (Mscf)</i>	<i>Annual Iodine Production (Kg)</i>
2008	164,700	37,027	164,700	37,027	164,700	37,027
2009	799,650	179,776	799,650	179,776	799,650	179,776
2010	1,758,150	395,263	1,758,150	395,263	1,758,150	395,263
2011	3,212,100	722,137	3,212,100	722,137	3,212,100	722,137
2012	5,222,250	1,174,055	5,222,250	1,174,055	5,222,250	1,174,055
2013	6,377,265	1,433,723	6,377,265	1,433,723	6,377,265	1,433,723
2014	6,090,288	1,433,723	5,950,211	1,400,747	5,810,135	1,367,771
2015	5,816,225	1,433,723	5,551,756	1,368,530	5,293,440	1,304,854
2016	5,554,495	1,433,723	5,179,982	1,337,054	4,822,694	1,244,831
2017	5,304,543	1,433,723	4,833,105	1,306,301	4,393,812	1,187,568
2018	5,065,838	1,433,723	4,509,456	1,276,256	4,003,070	1,132,940
2019	4,837,876	1,433,723	4,207,480	1,246,903	3,647,077	1,080,825
2020	4,620,171	1,433,723	3,925,726	1,218,224	3,322,743	1,031,107
2021	4,412,263	1,433,723	3,662,840	1,190,205	3,027,251	983,676
2022	4,213,712	1,433,723	3,417,558	1,162,830	2,758,038	938,427
2023	4,024,095	1,433,723	3,188,701	1,136,085	2,512,765	895,259
2024	3,843,010	1,433,723	2,975,170	1,109,955	2,289,305	854,077
2025	3,670,075	1,433,723	2,775,938	1,084,426	2,085,717	814,790
2026	3,504,921	1,433,723	2,590,047	1,059,484	1,900,234	777,310
2027	3,347,200	1,433,723	2,416,604	1,035,116	1,731,247	741,553
2028	3,196,576	1,433,723	2,254,776	1,011,308	1,577,287	707,442
2029	3,052,730	1,433,723	2,103,785	988,048	1,437,019	674,900
2030	2,915,357	1,433,723	1,962,905	965,323	1,309,225	643,854
2031	2,784,166	1,433,723	1,831,459	943,121	1,192,795	614,237
2032	2,658,879	1,433,723	1,708,816	921,429	1,086,720	585,982
2033	2,539,229	1,433,723	1,594,385	900,236	990,078	559,027
2034	2,424,964	1,433,723	1,487,617	879,531	902,030	533,312
2035	2,315,840	1,433,723	1,387,999	859,301	821,813	508,779
2036	2,211,628	1,433,723	1,295,051	839,538	748,729	485,375
2037	2,112,104	1,433,723	1,208,328	820,228	682,144	463,048
2038	2,017,060	1,433,723	1,127,413	801,363	621,481	441,748
2039	1,926,292	1,433,723	1,051,915	782,932	566,213	421,428
2040	1,839,609	1,433,723	981,474	764,924	515,860	402,042
2041	1,756,826	1,433,723	915,749	747,331	469,984	383,548
2042	1,677,769	1,433,723	854,426	730,142	428,189	365,905
2043	1,602,270	1,433,723	797,210	713,349	390,110	349,073
2044	1,530,168	1,433,723	743,824	696,942	355,417	333,016
2045	1,461,310	1,433,723	694,014	680,912	0	0
2046	1,395,551	1,433,723	647,540	665,251	0	0
2047	1,332,751	1,433,723	604,177	649,951	0	0
Total	124,589,907	52,688,550	97,971,553	37,235,256	79,226,736	26,769,685

A summary of the CAPEX items is provided below:

		<i>Amount (US\$)</i>	<i>Comments</i>
CAPEX	Production well - materials and labor	\$47,771 per well	
CAPEX	Injection well - materials and labor	\$150,000 per well	One required for every 10 production wells
CAPEX	Iodine extraction units (WET technology)	\$200,000 each	One required for every 10 production wells
CAPEX	Drilling rigs	\$1,000,000 each	Purchased Q 1 each year for first 5 years
CAPEX	Pipeline cost	\$265,231 each	One time charge at start of project
CAPEX	Iodine stripping facility	\$200,000 each	One time charge at start of project
CAPEX	Other equipment (pipe, mud pump, cement mixers , etc)	\$831,000 each	One time charge at start of project

Operating costs were estimated on a per well basis and included charges for compression, electricity, injection (water disposal) and for operating the central iodine stripping facility. The total average per well operating and maintenance cost used in the MHA evaluation was \$700 per well per month, or an equivalent annual charge of \$8,400 per well.

Iofina's development plan considers different approaches for injection of the processed brine (i.e. after the removal of the natural gas and iodine). Since the Eagle and Virgelle formations represent the most permeable and porous sections, injection of 100 per cent. of spent brine into a single formation other than Eagle and Virgelle is not likely. Therefore, Iofina must balance the need for spent brine injection, water treatment purification and possible limited re-injection back into the Eagle and Virgelle formations, against encountering dilution occurring as a result of re-injection. MHA feels it is reasonable that the disposal method, as well as the operating costs associated with the water injection, assumed in the economic model can be accomplished. MHA believes all methods are reasonable and the evaluation of the early field injection data will dictate the selection of the method or combination of methods for the most favorable economic results for Iofina going forward.

Iofina may employ a mixture or combinations thereof in order to find the most economically desirable solution. The approaches include;

- Partial injection into each of the deep formations including the Bow Island, Sawtooth and Madison formations
- Reduction of spent brine volumes through water treatment (reverse osmosis or other surface purification methods) Iofina received a federal grant from the United States Department of Interior in order to treat waters from the Mendell Jorgenson #1 well using three different nano filtration membranes. The tests resulted in the recovery of 40 per cent.- 60 per cent. of the brine stream as irrigation quality water. The projected cost of a scaled up plant are approximately equal to the CAPEX and OPEX of spent brine injection. The produced purified water will increase crop production yields for wheat and corn. Purification will also allow for a higher iodine concentrated brine stream going to the WET™ iodine extraction system.
- Well location (spacing) control.

4.3 *Royalties and Taxes*

The following federal and state royalty and tax burdens were used in the MHA evaluation:

TAX/ROYALTY	Royalty rate on natural gas	12.50%	Life
TAX/ROYALTY	Royalty rate on iodine	3.00%	Life
TAX/ROYALTY	State tax on natural gas revenues	0.76%	First year of well production
TAX/ROYALTY	State tax on natural gas revenues	9.26%	Subsequent years
TAX/ROYALTY	State tax on iodine revenues	0.00%	Life
TAX/ROYALTY	US State and Federal Income Tax rate	40.00%	Life

4.4 *Overhead and Interest on Loans*

The following overhead charges were provided to MHA by Iofina and were incorporated into the economic modeling:

OVERHEAD	Annual US Overhead charges	\$960,000 2008
OVERHEAD	Annual US Overhead charges	\$1,440,000 2009
OVERHEAD	Annual US Overhead charges	\$1,500,000 2010
OVERHEAD	Annual US Overhead charges	\$1,620,000 2011
OVERHEAD	Annual US Overhead charges	\$1,740,000 2012+
OVERHEAD	Annual US Legal feels	\$10,000 Life
OVERHEAD	Annual UK Overhead charges (includes legal, reserves, acctng)	\$957,151 2008
OVERHEAD	Annual UK Overhead charges (includes legal, reserves, acctng)	\$733,478 2009
OVERHEAD	Annual UK Overhead charges (includes legal, reserves, acctng)	\$740,824 2010
OVERHEAD	Annual UK Overhead charges (includes legal, reserves, acctng)	\$743,273 2011
OVERHEAD	Annual UK Overhead charges (includes legal, reserves, acctng)	\$743,273 2012+

Interest charges on notes payable were also included in the economic valuation. Iofina advised MHA that they have been working on securing a £20 million, 5-year line of credit (“LOC”) that would be put in place six months before it would be required. Interest on the LOC would be charged at 8.75 per cent. annually. However, additional equity may be raised in the future such that the LOC would not be required. Based on input from Iofina, MHA assumed that funds would be drawn from the LOC in three separate years as follows:

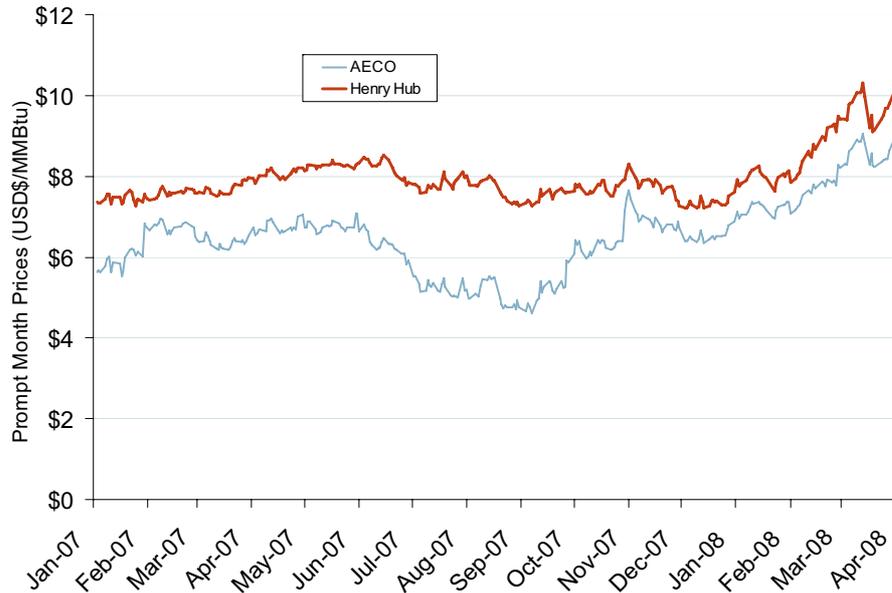
2010	\$ 7.5 million
2011	\$11.0 million
2012	\$ 9.0 million

All notes due in 2014 per 5-year LOC

4.5 *Marketability and Product Prices*

One could argue that the Iofina Atlantis Prospect is far enough north in Montana that it is relatively insulated from the large swings in natural gas spot price differentials that were experienced in portions of the Rocky Mountain region in the United States last year. If Iofina chooses to send their gas north, it would be impacted by the AECO spot price, which is the Alberta gas trading price. Recent AECO gas price differentials, relative to the Henry Hub benchmark, are shown in Figure 12. The current AECO gas price differential is approximately \$1.00 per MMBtu. However, in keeping with the conservative approach adopted by MHA in conducting this evaluation, a larger gas price differential was assumed in our economic models as discussed below.

Henry Hub and AECO Prompt-Month Futures Prices



Source: Derived from ICE data.

Updated April 4, 2008

2172

Figure 12 Monthly average AECO natural gas spot price differentials (Source: Ref. 13)

Growth in annual dry natural gas production in the Rocky Mountain region of the United States has increased by more than four per cent. per year since 1998 and averaged 9.25 per cent. growth over the entire period. It is anticipated that gas production from this region will continue to increase at a consistent 4-percent annual rate and that demand for natural gas in the United States will remain strong (Ref. 11).

Spot prices for natural gas in the Rocky Mountain States reported at the Colorado Interstate Gas (“CIG”) pipeline exhibited large negative price differentials to the Henry Hub benchmark price in Louisiana in 2002 and 2003 (Figure 13). These price differentials declined and markets converged after the completion of pipeline expansion projects, most notably Kern River and Cheyenne Plains. From the period beginning in late 2003 to mid-2006, with the exception of the Henry Hub price spike caused by the 2005 hurricane disruptions, Rockies natural gas spot price differentials remained relatively low (Ref. 11).

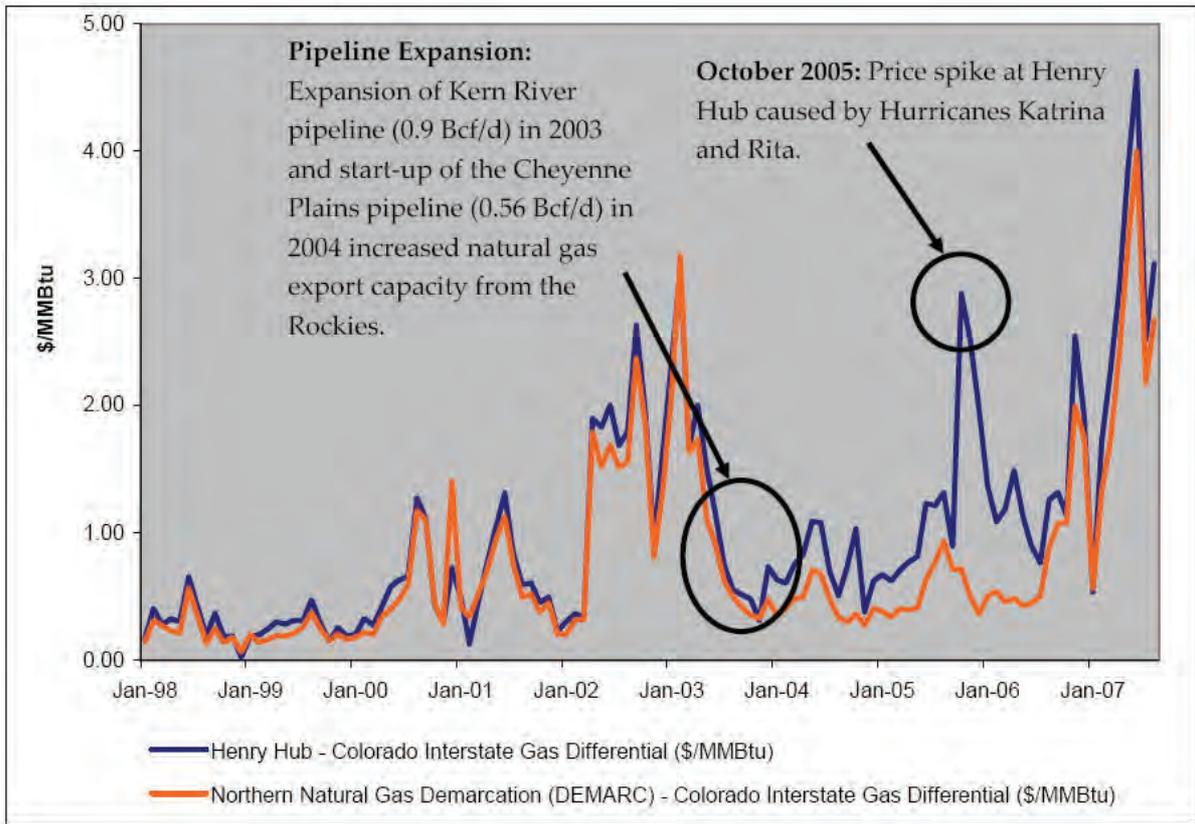


Figure 13 Monthly average CIG natural gas spot price differentials
(Source: Ref. 11)

Over the last 18 months, however, these negative gas price differentials have once again increased significantly. For example, on 4 June 2007 the average spot price for the day for natural gas on the CIG system was \$0.78 per million Btu (MMBtu), while on that same day the Henry Hub spot price averaged \$7.73 per MMBtu. There were several other instances during that summer where similarly anomalously large negative gas price differentials occurred. Each of these Rocky Mountain gas price collapse events were attributed to pipeline maintenance which significantly reduced available transport capacity out of the region. As natural gas production has continued to expand in the Rockies, these occasional large spot price declines and increased negative price differentials between regional markets have exposed a lack of pipeline export capacity at the margin (Ref. 11).

Significant efforts are currently underway to expand pipeline capacity from the Rocky Mountains eastward. When completed, the planned Rockies Express (REX) pipeline system will be able to carry up to almost 2 Bcf per day. The REX system will span 1678 miles from the Rockies to its point of termination in Monroe County, Ohio. The intermediate phase of the project, which extended the pipeline to Audrain County, Missouri, became fully operational in February 2008.

MHA assumed the following schedule of natural gas prices and price differentials for use in the economic valuation of the Iofina Atlantis Prospect:

PRICING	NYMEX 4 Feb gas price forecast average for 2008	\$8.03 per Mscf
PRICING	NYMEX 4 Feb gas price forecast average for 2009	\$8.37 per Mscf
PRICING	NYMEX 4 Feb gas price forecast average for 2010	\$8.28 per Mscf
PRICING	NYMEX 4 Feb gas price forecast average for 2011	\$8.14 per Mscf
PRICING	NYMEX 4 Feb gas price forecast average for 2012	\$8.07 per Mscf
PRICING	Forecast differential - MT gas to NYMEX - 2008	\$2.50 per Mscf
PRICING	Forecast differential - MT gas to NYMEX - 2009	\$2.00 per Mscf
PRICING	Forecast differential - MT gas to NYMEX - 2010	\$1.50 per Mscf
PRICING	Forecast differential - MT gas to NYMEX - Life	\$1.00 per Mscf

(Note: For methane, 1 Mscf is approximately equivalent to 1 MMBtu)

The forward price forecasts for 2008 through 2012 were based on the published New York Mercantile Exchange (“NYMEX”) forecasts (Ref. 13). Forecast differentials in natural gas prices from Montana to the posted Henry Hub prices assumed the current differential of about \$2.50 per MMBtu (Figure 12) would apply for 2008, with gradual relief in future years as the REX pipeline becomes fully operational.

MHA relied on the Iodine Expert Report of Armour Associates, Ltd. (Ref. 3) for information on iodine markets and pricing. Armour forecasts strong near-term demand for iodine through 2010. Historical prices for elemental iodine display a cyclical pattern superimposed on a steadily rising trend. Year-end 2006 prices for iodine averaged \$25/kg, and 2007 year-end sales approached \$28/kg. Armour forecasts a conservative price range of \$26-\$32 per kg over the next several years. MHA assumed starting price of \$28/kg for iodine in 2008 in our economic evaluation.

4.6 *Other Factors*

The economic valuation done by MHA as part of this CPR was done on a corporate, as opposed to an asset or project basis. As such, the following other factors, as shown in the table on the next page, were considered as inputs to our analyses:

Cash & Equivalents, end 2007, US\$ MOD	511,067	2008
Long-term debt, end 2007, US\$ MOD	533,449	2008
Cash & equivalents as % of sales , 2008	100%	2008
Cash & equivalents as % of sales , 2009-12 average	18%	2009-12 and assumed applicable to all subsequent years
Other current assets (i.e. other than cash & equivalents), US\$ MOD,end 2007	0	2007
Other current assets (i.e. other than cash & equivalents) as % of sales, end 2008	16%	2008
Other working capital (i.e. other than cash & equivalents) as % of sales , average of end 2009 through end 2012 and thereafter	10%	2009-12 and assumed applicable to all subsequent years
Current Liabilities , US\$ MOD, end 2007	53,784	2007
Current Liabilities as % of sales , end 2008	6%	2008
Current Liabilities as % of sales , 2009-12 average and thereafter	2%	2009-12 and assumed applicable to all subsequent years

(Note: In the above table, “MOD” means Money of the Day, or undiscounted)

The valuation was run with an effective date of 1 January 2008. A currency exchange rate of 1.997 US\$ per GBP was assumed. An annual inflation rate of 2 per cent. was factored in to the calculations. Economic models were run for a total life of 40 years, or until the project became cash flow negative.

4.7 *Valuation Summary*

The natural gas resources associated with the Iofina Atlantis Prospect are classified as a Contingent Resource. No attempt has been made to classify the iodine resources. Thus, the MHA economic valuation was done from an “Indicative Success” point of view. In other words, given the assumptions and the economic parameters discussed within this document, if the project moves forward and the results that are projected (high, mid and low case) are attained, the Indicative Success results indicate the value of the corporation for each respective case. Table 2 below provides a summary of the Indicative Success results:

Table 2 Production and Valuation Summary Table

<i>Results Summary</i>	<i>High Case (no brine decline)</i>	<i>Mid Case (Mid brine decline)</i>	<i>Low Case (High brine decline)</i>
Total Natural G as Production, Before Economic Limit, BC F	124.6	98.0	80.1
Total Natural G as Production, After Economic Limit, BC F	124.6	98.0	79.8
Total Iodine Production, Before Economic Limit, mm KG	52.7	37.2	27.7
Total Iodine Production, After Economic Limit, mm KG	52.7	37.2	27.4
Production Start Year	2008	2008	2008
Production End Year	2047	2047	2046
Undiscounted Free Cashflow, millions of \$US	1391.8	819.0	442.9
Discounted (@ 10%) Free Cashflow, millions of \$US as at 1 January 2008	224.02	170.58	131.30
Discounted (@ 10%) Equity Value, millions of \$US as at 1 January 2008	226.12	172.69	133.40
Discounted (@ 10%) Equity Value, millions of GBP as at 1 January 2008	113.2	86.5	66.8

A separate discussion on project risks and uncertainties is included within the following section.

5. Conclusions

5.1 Summary of the Project

Iofina has identified an area located in Montana in the United States, known as the Atlantis Prospect. The Eagle and Virgelle sandstones are the current primary reservoir targets of the Atlantis Prospect. The other Cretaceous methane rich sediments that Iofina plans to test include the Telegraph Creek, the Medicine Hat, the Niobrara and the Phillips formations. Iofina also plans to test a Jurassic formation called the Sawtooth which, according to the Armour report, contained iodine. The Project development will involve drilling more than 1,000 wells to produce large volumes of brine from the target reservoirs. Associated products from the brine production will be natural gas and iodine, both of which will be sold to market.

Iofina has field tested both the iodine production and extraction technology, as well as the natural gas production from the brine and low permeability mudstones located within the Eagle and Virgelle intervals. The field tests yielded successful results. The iodine recovery efficiency was in excess of 70 per cent., with a measured iodine concentration in the brine of 53 ppm. The gas and water co-production test yielded a maximum gas-water ratio in the range of 30 to 35 scf/bbl of methane.

MHA has estimated a contingent resource of natural gas-in-place of 155.6 Bcf associated with the current Iofina leases within the Atlantis Prospect. Projected natural gas recovery factors of this in-place resource for low, mid and high cases considered varied from 51 per cent. to 80 per cent. MHA has also estimated a potential in-place resource of iodine equivalent to 100.6 million kg. This resource covers a region extending beyond the immediate area of the Iofina leases. Projected iodine recovery factors range from 27 per cent. to 52 per cent. of the estimated in-place resource.

A conservative (fully risked) economic valuation conducted by MHA on an Indicative Success case basis indicates a discounted cash flow rate of ten per cent. (DCF10) equity value for Iofina on its current acreage position as at 1 January 2008 of \$131.3 million for the low case, \$170.6 million for the mid-case, and \$224.0 million for the high case. Equivalent values in GBP would be £66.8 million for the low case, £86.5 million for the mid-case, and £113.2 million for the high case.

5.2 *Interpretations and Representations of Iofina*

It is the opinion of MHA that all prudent steps have been taken by Iofina to maximize their understanding of the asset. There are certain risks and uncertainties that can be better quantified with further data collection. This is discussed in the following section.

It is also the opinion of MHA that proper records have been kept by Iofina, and that we have been granted access to all of the information and explanations we required to complete this evaluation.

5.3 *Risks and Uncertainties*

MHA has identified several key areas of potential risk and uncertainty that may impact the projections contained within this CPR. These are discussed below.

Pumping Problems with the Producing Wells

The production history examined from the Mendell Jorgenson #1 well showed significant difficulties were encountered in keeping the downhole pumps in the well operating and maintaining continuous production from the well. The production test was run from October 2002 through October 2003. During that time, due to repeated pump failures, eight different pumps were required. This resulted in intermittent periods of production and shut-in.

High volume co-production of water and gas is a difficult environment to maintain efficient artificial lift operations. Iofina will need to work carefully with vendors and field test new artificial lift equipment to avoid this problem as the field matures. Some contingency has been built in to the MHA valuation in that per well brine production rates were assumed at 600 barrels per day. The Mendell Jorgenson #1 well produced consistently between 1,000 and 2,000 barrels of brine per day. However, if pump failures continue at the level seen in the Mendell Jorgenson #1 test, the production rates assumed by MHA may not be possible.

Injection of Processed Brine

Iofina's development plan considers different approaches for injection of the processed brine (i.e. after removal of the natural gas and iodine) including deep well injection, reinjection into the producing formation, and surface agriculture use water treatment (reverse osmosis or water purification methods) for beneficial use in order to substantially reduce injection volumes. At this time, Iofina is unable to determine with absolute certainty which method will be used in the development of the Atlantis Prospect. Iofina plans to evaluate the early field data and will select the best method or combination of methods for the best economic solution.

Options include injecting spent brine into deeper horizons including Madison, Sawtooth, and Bow Island formations. In the event the deeper formations do not have adequate permeability to accommodate all of the injection volumes, some brine may be re-injected into the Eagle and Virgelle formations. MHA has been advised that engineering and economic considerations between the lowest cost injection plan and mitigating dilution of the produced brine will be the focus for Iofina's engineers. Given the fact that the volumes of brine-in-place are very large, Iofina may have a significant margin of error as the optimal injection plan becomes clear.

Variations in Iodine Concentration

The iodine concentrations assumed in this evaluation were based upon surveys conducted by Iofina at various well locations in the Atlantis Prospect. While the range of measured concentration was consistent across the samples collected, it should be noted that the MHA brine production forecast assumes recharge of water occurs from the regional aquifer into the Atlantis Prospect area vicinity. It is believed that the Atlantis Prospect area represents more of a transition zone between updip aquifer and down-dip areas of structurally controlled free gas accumulations. Therefore, it is unclear how the water quality (and iodine concentration) may change regionally. Should the waters that flow into the area of production possess different qualities than those measured within the Atlantis Prospect area, the actual iodine production may vary from that projected by MHA.

Product Prices

The economic valuation conducted by MHA assumed certain product prices for both natural gas and iodine. While based upon the best available information, any forward forecasts of product prices are speculative. Thus, should future prices for natural gas and iodine vary significantly from what was assumed by MHA in this evaluation, the actual results may vary from that projected by MHA.

6. Professional Qualifications

MHA Petroleum Consultants, Inc. is a Denver-based consultancy specializing in geology, geophysics, petrophysics, petroleum engineering and economic analyses. MHA is one of the leading evaluation consultancies of unconventional gas resources in the world, with active projects on four continents. MHA began undertaking reserves/resources reporting and valuation functions when the company was formed in 1994. All MHA personnel involved in such exercises have at the very minimum a first degree in geoscience or petroleum engineering, and many have masters degrees or doctorates. All personnel have a minimum of five years relevant valuation experience and in the case of the senior project leader involved in this exercise, Mr. Tim Hower, this period exceeds twenty-five years. Except for the provision of professional services on a fee basis, MHA and its employees have no commercial arrangement with any person or company involved in the interests that are the subject of this report.

For the purposes of this CPR, MHA brought in specialist economic modeling experience in the form of RPS Energy and, specifically, Mr. Ken Kasriel. RPS Energy is an international oil and gas consultancy specializing in the commercial aspects of the exploration and exploitation of hydrocarbon accumulations. The Company has a solid track record in providing expert independent opinion analyses for both oil & gas companies and financial institutions, and is one of the largest such independent consultancies in the world. Ken Kasriel has 13 years experience as a petroleum finance analyst, including 7 with PricewaterhouseCoopers' Global Petroleum practice, where he was Senior Analyst, and with investment banks Robert Flemings Securities (now part of JP Morgan Chase) and Creditanstalt Investment Bank (Austria). He has prepared numerous economic and fiscal analyses of upstream petroleum assets including those in Angola, India, Indonesia, Iraq, Nigeria, North America, Russia & the FSU, Vietnam and Yemen. He is an alumnus of the London Business School holds a B.A. (Highest Honors) in History from the University of North Carolina at Chapel Hill.

7. References

1. Berkenpas, P.G., "The Milk River Shallow Gas Pool: Role of the Updip Water Trap and Connate Water in Gas Production from the Pool", SPE 22922, presented at the SPE Annual Technical Conference and Exhibition, Dallas, TX, October 6-9, 1991.
2. Schafer, P.S, Hower, T.L., and Owens, R.W., *Managing Water-Drive Gas Reservoirs*, textbook published by the Gas Research Institute, 1993.
3. Armour Associates, Ltd., "Independent Evaluation of the Iodine Assets of Iofina plc, Review of World Iodine Markets and Confirmation of Extraction Technology", report dated 05 February 2008.
4. <http://www.gasukai.co.jp/english/gas/place.html>
5. Marsden Jr., S.S., "Natural Gas Dissolved in Brine – A Major Energy Resource of Japan", SPE 8355, presented at the SPE Annual Technical Conference and Exhibition, Las Vegas, NV, September 23-26, 1979.
6. Akibayashi, S., and Zhou, P., "The Production Performance of the Water-Dissolved Natural Gas Reservoir", OSEA 88170, presented at the 7th Offshore South East Asia Conference, Singapore, 2-5 February 1988.
7. Arihara, N. et al, "Pressure Transient Analysis for a Stratified Water-Dissolved and Mud-Adsorbed Gas Formation", SPE 49977, presented at the SPE Asia Pacific Oil & Gas Conference and Exhibition, Perth, Australia, 12-14 October 1998.
8. Lee, J. and Wattenbarger, R.A., *Gas Reservoir Engineering*, textbook published by the Society of Petroleum Engineers, 1996.

9. Ryder-Scott Company, "Atlantis Prospect Study", report dated December 5, 2005.
10. Akibayashi, S. et al, "Simulation of High GWR behaviour in the Water-Dissolved Natural Gas Reservoir", Journal of the Japanese Association for Petroleum Technology, Vol. 57, No. 5 (Sept. 1992).
11. Energy Information Administration, "Natural Gas in the Rocky Mountains: Developing Infrastructure", report dated September 2007. (www.eia.doe.gov)
12. Update on Construction Status for the REX-WEST Project , January 11, 2008
13. http://www.quotes.ino.com/exchanges/?r=NYMEX_NG
14. <http://www.ferc.gov/market-oversight/mkt-gas/overview/ngas-ovr-hh-aeco-fwd-pr.pdf>

APPENDIX 1

RESERVES AND RESOURCES DEFINITIONS

SPE Petroleum Reserves Definitions

Reserves derived under these definitions rely on the integrity, skill, and judgment of the evaluator and are affected by the geological complexity, stage of development, degree of depletion of the reservoirs, and amount of available data. Use of these definitions should sharpen the distinction between the various classifications and provide more consistent reserves reporting.

Definitions

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

The intent of the Society of Petroleum Engineers (SPE) and World Petroleum Council (WPC, formerly World Petroleum Congresses) in approving additional classifications beyond proved reserves is to facilitate consistency among professionals using such terms. In presenting these definitions, neither organization is recommending public disclosure of reserves classified as unproved. Public disclosure of the quantities classified as unproved reserves is left to the discretion of the countries or companies involved.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of potential differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

Reserves estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change. Reserves do not include quantities of petroleum being held in inventory, and may be reduced for usage or processing losses if required for financial reporting.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Proved Reserves (1P)

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as developed or undeveloped.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 per cent. probability that the quantities actually recovered will equal or exceed the estimate.

Establishment of current economic conditions should include relevant historical petroleum prices and associated costs and may involve an averaging period that is consistent with the purpose of the reserve

estimate, appropriate contract obligations, corporate procedures, and government regulations involved in reporting these reserves.

In general, reserves are considered proved if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term proved refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. In certain cases, proved reserves may be assigned on the basis of well logs and/or core analysis that indicate the subject reservoir is hydrocarbon bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The area of the reservoir considered as proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. In the absence of data on fluid contacts, the lowest known occurrence of hydrocarbons controls the proved limit unless otherwise indicated by definitive geological, engineering or performance data.

Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed. Reserves in undeveloped locations may be classified as proved undeveloped provided (1) the locations are direct offsets to wells that have indicated commercial production in the objective formation, (2) it is reasonably certain such locations are within the known proved productive limits of the objective formation, (3) the locations conform to existing well spacing regulations where applicable, and (4) it is reasonably certain the locations will be developed. Reserves from other locations are categorized as proved undeveloped only where interpretations of geological and engineering data from wells indicate with reasonable certainty that the objective formation is laterally continuous and contains commercially recoverable petroleum at locations beyond direct offsets.

Reserves which are to be produced through the application of established improved recovery methods are included in the proved classification when (1) successful testing by a pilot project or favorable response of an installed program in the same or an analogous reservoir with similar rock and fluid properties provides support for the analysis on which the project was based, and, (2) it is reasonably certain that the project will proceed. Reserves to be recovered by improved recovery methods that have yet to be established through commercially successful applications are included in the proved classification only (1) after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program where the response provides support for the analysis on which the project is based and (2) it is reasonably certain the project will proceed.

Unproved Reserves

Unproved reserves are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves and possible reserves.

Unproved reserves may be estimated assuming future economic conditions different from those prevailing at the time of the estimate. The effect of possible future improvements in economic conditions and technological developments can be expressed by allocating appropriate quantities of reserves to the probable and possible classifications.

Probable Reserves (2P)

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 per cent. probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, probable reserves may include (1) reserves anticipated to be proved by normal step-out drilling where sub-surface control is inadequate to classify these reserves as proved, (2) reserves in formations that appear to be productive based on well log characteristics but lack core data or definitive tests and which are

not analogous to producing or proved reservoirs in the area, (3) incremental reserves attributable to infill drilling that could have been classified as proved if closer statutory spacing had been approved at the time of the estimate, (4) reserves attributable to improved recovery methods that have been established by repeated commercially successful applications when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics appear favorable for commercial application, (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and the geologic interpretation indicates the subject area is structurally higher than the proved area, (6) reserves attributable to a future workover, treatment, re-treatment, change of equipment, or other mechanical procedures, where such procedure has not been proved successful in wells which exhibit similar behaviour in analogous reservoirs, and (7) incremental reserves in proved reservoirs where an alternative interpretation of performance or volumetric data indicates more reserves than can be classified as proved.

Possible Reserves (3P)

Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10 per cent. probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves.

In general, possible reserves may include (1) reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) reserves in formations that appear to be petroleum bearing based on log and core analysis but may not be productive at commercial rates, (3) incremental reserves attributed to infill drilling that are subject to technical uncertainty, (4) reserves attributed to improved recovery methods when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area.

Reserve Status Categories

Reserve status categories define the development and producing status of wells and reservoirs.

Developed: Developed reserves are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be sub-categorized as producing or non-producing.

Producing: Reserves subcategorized as producing are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Non-producing: Reserves subcategorized as non-producing include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

Undeveloped Reserves: Undeveloped reserves are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Approved by the Board of Directors, Society of Petroleum Engineers (SPE) Inc., and the Executive Board, World Petroleum Council (WPC), March 1997

SPE Petroleum Resources Classification System and Definitions

Reserves, as previously defined, are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. Reference should be made to the previous section of this report for the complete definitions and guidelines.

Estimated recoverable quantities from known accumulations which do not fulfill the requirement of commerciality should be classified as Contingent Resources, as defined below. The definition of commerciality for an accumulation will vary according to local conditions and circumstances and is left to the discretion of the country or company concerned. However, reserves must still be categorized according to the specific criteria of the SPE/WPC definitions and therefore proved reserves will be limited to those quantities that are commercial under current economic conditions, while probable and possible reserves may be based on future economic conditions. In general, quantities should not be classified as reserves unless there is an expectation that the accumulation will be developed and placed on production within a reasonable timeframe.

In certain circumstances, reserves may be assigned even though development may not occur for some time. An example of this would be where fields are dedicated to a long-term supply contract and will only be developed as and when they are required to satisfy that contract.

Contingent Resources

Contingent Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.

It is recognized that some ambiguity may exist between the definitions of contingent resources and unproved reserves. This is a reflection of variations in current industry practice. It is recommended that if the degree of commitment is not such that the accumulation is expected to be developed and placed on production within a reasonable timeframe, the estimated recoverable volumes for the accumulation be classified as contingent resources.

Prospective Resources

Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

APPENDIX 2

Tables A2-1 through A2-9: Cash Flow Summary Tables and Sensitivity to the Discount Rate for High, Mid and Low Cases.

Figure A2-1: Sensitivity Analysis: +/- 10 per cent. on Mid-Case of Key Money-of-the-Day Variables

Table A2-1 High Case; No Decline in Brine Rate

	High Case (no brine decline)		All values are in undiscounted US \$ mm unless stated otherwise									
	Natural gas production (Mscf)	Iodine production (Kg)	Gross Revenue, Natural Gas	Gross Revenue, Iodine	Total Gross Revenue	Royalties + State Tax on production	OPEX	Total Overheads	Depreciation charge	Total	Net Interest Payable/ (Receivable)	Income Tax
2008	164,700	37,027	0.91	1.04	1.95	0.15	0.25	1.93	0.65	0.65	(0.06)	-
2009	799,650	179,776	5.09	5.13	10.22	0.92	1.33	2.23	1.66	1.66	(0.06)	1.27
2010	1,758,150	395,263	11.91	11.51	23.43	2.39	2.92	2.34	3.20	3.20	0.53	4.82
2011	3,212,100	722,137	22.95	21.46	44.40	4.75	5.44	2.52	5.47	5.47	1.27	9.98
2012	5,222,250	1,174,055	36.94	35.58	72.53	7.90	9.01	2.70	8.50	8.50	1.57	17.14
2013	6,377,265	1,433,723	46.14	44.32	90.47	10.56	10.80	2.75	8.50	8.50	0.87	22.79
2014	6,090,288	1,433,723	45.07	45.21	90.28	11.16	11.01	2.81	8.50	8.50	0.22	22.63
2015	5,816,225	1,433,723	44.02	46.11	90.13	10.96	11.23	2.86	8.50	8.50	(0.49)	22.82
2016	5,554,495	1,433,723	42.99	47.04	90.02	10.77	11.46	2.92	8.50	8.50	(0.49)	22.75
2017	5,304,543	1,433,723	41.98	47.98	89.96	10.57	11.69	2.98	8.50	8.50	(0.49)	22.68
2018	5,065,838	1,433,723	41.00	48.94	89.93	10.39	11.92	3.04	8.50	8.50	(0.49)	22.63
2019	4,837,876	1,433,723	40.03	49.91	89.95	10.21	12.16	3.10	8.50	8.50	(0.49)	22.59
2020	4,620,171	1,433,723	39.09	50.91	90.00	10.03	12.40	3.16	8.11	8.11	(0.49)	22.71
2021	4,412,263	1,433,723	38.16	51.93	90.09	9.86	12.65	3.23	7.36	7.36	(0.49)	23.00
2022	4,213,712	1,433,723	37.26	52.97	90.23	9.70	12.90	3.29	6.18	6.18	(0.49)	23.46
2023	4,024,095	1,433,723	36.37	54.03	90.40	9.54	13.16	3.36	4.17	4.17	(0.49)	24.27
2024	3,843,010	1,433,723	35.51	55.11	90.62	9.38	13.42	3.42	1.56	1.56	(0.49)	25.33
2025	3,670,075	1,433,723	34.66	56.21	90.87	9.23	13.69	3.49	1.19	1.19	(0.49)	25.51
2026	3,504,921	1,433,723	33.83	57.34	91.17	9.08	13.96	3.56	0.67	0.67	(0.49)	25.75
2027	3,347,200	1,433,723	33.03	58.48	91.51	8.94	14.24	3.63	-	-	(0.50)	26.07
2028	3,196,576	1,433,723	32.23	59.65	91.89	8.80	14.53	3.70	-	-	(0.50)	26.14
2029	3,052,730	1,433,723	31.46	60.85	92.31	8.67	14.82	3.78	-	-	(0.50)	26.21
2030	2,915,357	1,433,723	30.70	62.06	92.77	8.54	15.12	3.85	-	-	(0.50)	26.30
2031	2,784,166	1,433,723	29.96	63.30	93.27	8.42	15.42	3.93	-	-	(0.51)	26.40
2032	2,658,879	1,433,723	29.24	64.57	93.81	8.30	15.73	4.01	-	-	(0.51)	26.51
2033	2,539,229	1,433,723	28.53	65.86	94.40	8.18	16.04	4.09	-	-	(0.51)	26.64
2034	2,424,964	1,433,723	27.84	67.18	95.02	8.07	16.36	4.17	-	-	(0.51)	26.77
2035	2,315,840	1,433,723	27.17	68.52	95.69	7.97	16.69	4.26	-	-	(0.52)	26.92
2036	2,211,628	1,433,723	26.51	69.89	96.40	7.87	17.02	4.34	-	-	(0.52)	27.08
2037	2,112,104	1,433,723	25.87	71.29	97.16	7.77	17.36	4.43	-	-	(0.53)	27.25
2038	2,017,060	1,433,723	25.24	72.72	97.95	7.67	17.71	4.52	-	-	(0.53)	27.43
2039	1,926,292	1,433,723	24.62	74.17	98.79	7.58	18.06	4.61	-	-	(0.53)	27.63
2040	1,839,609	1,433,723	24.02	75.65	99.67	7.50	18.43	4.70	-	-	(0.54)	27.84

Table A2-1 High Case; No Decline in Brine Rate (continued)

All values are in undiscounted US \$ mm unless stated otherwise

	Natural gas production (Mscf)	Iodine production (Kg)	Gross Revenue, Natural Gas	Gross Revenue, Iodine	Total Gross Revenue	Royalties + State Tax on production	OPEX	Total Overheads	Total Depreciation charge	Total Depreciation charge	Net Interest Payable/ (Receivable)	Income Tax
2041	1,756,826	1,433,723	23.43	77.17	100.60	7.41	18.79	4.79	-	-	(0.54)	28.06
2042	1,677,769	1,433,723	22.86	78.71	101.57	7.34	19.17	4.89	-	-	(0.55)	28.29
2043	1,602,270	1,433,723	22.30	80.28	102.58	7.26	19.55	4.99	-	-	(0.56)	28.54
2044	1,530,168	1,433,723	21.75	81.89	103.64	7.19	19.95	5.09	-	-	(0.56)	28.79
2045	1,461,310	1,433,723	21.22	83.53	104.75	7.12	20.34	5.19	-	-	(0.57)	29.06
2046	1,395,551	1,433,723	20.70	85.20	105.89	7.06	20.75	5.29	-	-	(0.57)	29.35
2047	1,332,751	1,433,723	20.19	86.90	107.09	7.00	21.17	5.40	-	-	(0.58)	29.64
Total	124,589,907	52,688,550	1,182.79	2,290.61	3,473.40	322.22	558.65	149.34	108.24	108.24	(12.65)	939.04

Table A2-2 High Case; No Decline in Brine Rate

	<i>All values are in undiscounted US \$ mm unless stated otherwise</i>							
		<i>(minus)</i> <i>Change in</i> <i>Current</i>				<i>(plus)</i> <i>After-</i>	<i>(minus)</i> <i>After-</i>	
		<i>(plus)</i> <i>Total</i>	<i>assets</i> <i>(excl. cash</i>	<i>(plus)</i> <i>Change</i>	<i>(minus)</i> <i>Total</i>	<i>tax</i>	<i>tax</i>	<i>Free</i>
	<i>Net Income</i>	<i>Depreciation</i>	<i>and</i>	<i>in Current</i>	<i>Capex</i>	<i>interest on</i>	<i>interest on</i>	<i>Cash</i>
		<i>charge</i>	<i>equivalents)</i>	<i>liabilities</i>		<i>debt</i>	<i>cash</i>	<i>Flow</i>
2008	(0.97)	0.65	0.31	0.07	8.50	–	0.04	(9.10)
2009	1.91	1.66	0.71	0.12	12.92	–	0.03	(9.98)
2010	7.23	3.20	1.32	0.32	19.64	0.39	0.08	(9.89)
2011	14.97	5.47	2.10	0.51	28.82	0.91	0.14	(9.20)
2012	25.71	8.50	2.81	0.68	38.35	1.18	0.24	(5.33)
2013	34.19	8.50	1.79	0.43	–	0.82	0.29	41.86
2014	33.94	8.50	(0.02)	(0.00)	–	0.43	0.29	42.59
2015	34.24	8.50	(0.01)	(0.00)	–	–	0.29	42.46
2016	34.12	8.50	(0.01)	(0.00)	–	–	0.29	42.34
2017	34.02	8.50	(0.01)	(0.00)	–	–	0.29	42.24
2018	33.94	8.50	(0.00)	(0.00)	–	–	0.29	42.15
2019	33.88	8.50	0.00	0.00	–	–	0.29	42.09
2020	34.07	8.11	0.01	0.00	–	–	0.29	41.88
2021	34.49	7.36	0.01	0.00	–	–	0.29	41.55
2022	35.19	6.18	0.01	0.00	–	–	0.29	41.07
2023	36.40	4.17	0.02	0.00	–	–	0.29	40.27
2024	37.99	1.56	0.02	0.01	–	–	0.29	39.24
2025	38.26	1.19	0.03	0.01	–	–	0.30	39.13
2026	38.63	0.67	0.03	0.01	–	–	0.30	38.98
2027	39.11	–	0.03	0.01	–	–	0.30	38.79
2028	39.21	–	0.04	0.01	–	–	0.30	38.88
2029	39.32	–	0.04	0.01	–	–	0.30	38.99
2030	39.45	–	0.05	0.01	–	–	0.30	39.12
2031	39.60	–	0.05	0.01	–	–	0.30	39.26
2032	39.77	–	0.05	0.01	–	–	0.30	39.42
2033	39.95	–	0.06	0.01	–	–	0.31	39.60
2034	40.16	–	0.06	0.02	–	–	0.31	39.80
2035	40.38	–	0.07	0.02	–	–	0.31	40.02
2036	40.62	–	0.07	0.02	–	–	0.31	40.25
2037	40.87	–	0.08	0.02	–	–	0.32	40.50
2038	41.15	–	0.08	0.02	–	–	0.32	40.77
2039	41.44	–	0.08	0.02	–	–	0.32	41.06
2040	41.76	–	0.09	0.02	–	–	0.32	41.36
2041	42.09	–	0.09	0.02	–	–	0.33	41.69
2042	42.43	–	0.10	0.02	–	–	0.33	42.03
2043	42.80	–	0.10	0.02	–	–	0.33	42.39
2044	43.19	–	0.11	0.03	–	–	0.34	42.77
2045	43.59	–	0.11	0.03	–	–	0.34	43.17
2046	44.02	–	0.11	0.03	–	–	0.34	43.59
2047	44.46	–	0.12	0.03	–	–	0.35	44.03
Total	<u>1,407.59</u>	<u>108.24</u>	<u>10.71</u>	<u>2.54</u>	<u>108.24</u>	<u>3.72</u>	<u>11.31</u>	<u>1,391.83</u>

Table A2-3 High Case; No Decline in Brine Rate**High Case (no brine decline) – Valuation**

<i>Item</i>	<i>Unit</i>	<i>Value</i>
Free Cash Flow	US\$ mm MOD	1,391.83
Discount rate	%	10%
Discounted Free Cash Flow as at 1 January 2008	US\$ mm MOD	224.02
(plus) Cash & Equivalents as at 1 January 2008	US\$ mm MOD	2.63
Enterprise Value as at 1 January 2008	US\$ mm MOD	226.65
(minus) Long-term debt as at 1 January 2008	US\$ mm MOD	0.53
Equity Value as at 1 January 2008	US\$ mm MOD	226.12
Equity Value as at 1 January 2008	GBP mm MOD	113.23

High Case (no brine decline), Sensitivity of Equity Value to the Discount Rate

<i>Discount rate</i>	<i>Equity Value US\$ mm MOD</i>
0.0%	1,393.93
2.5%	810.06
5.0%	502.80
7.5%	329.83
10.0%	226.12
12.5%	160.33
15.0%	116.53
17.5%	86.17
20.0%	64.41
22.5%	48.39
25.0%	36.33

Table A2-4 Mid-Case; 2.3% Annual Decline in Brine Rate

Mid Case (Mid brine decline)		All values are in undiscounted US\$ mm unless stated otherwise										
Year	Natural gas production (Mscf)	Iodine production (Kg)	Gross Revenue, Natural Gas	Gross Revenue, Iodine	Total Gross Revenue	Royalties + State Tax on production	OPEX	Total Overheads	Total Depreciation charge	Total charge	Net Interest Payable/ (Receivable)	Income Tax
2008	164,700	37,027	0.91	1.04	1.95	0.15	0.25	1.93	0.65	0.65	(0.06)	-
2009	799,650	179,776	5.09	5.13	10.22	0.92	1.33	2.23	1.66	1.66	(0.06)	1.27
2010	1,758,150	395,263	11.91	11.51	23.43	2.39	2.92	2.34	3.20	3.20	0.53	4.82
2011	3,212,100	722,137	22.95	21.46	44.40	4.75	5.44	2.52	5.47	5.47	1.27	9.98
2012	5,222,250	1,174,055	36.94	35.58	72.53	7.90	9.01	2.70	8.50	8.50	1.57	17.14
2013	6,377,265	1,433,723	46.14	44.32	90.47	10.56	10.80	2.75	8.50	8.50	0.87	22.79
2014	5,950,211	1,400,747	44.03	44.17	88.20	10.91	11.01	2.81	8.50	8.50	0.23	21.90
2015	5,551,756	1,368,530	42.02	44.02	86.03	10.46	11.23	2.86	8.50	8.50	(0.47)	21.38
2016	5,179,982	1,337,054	40.09	43.86	83.95	10.04	11.46	2.92	8.50	8.50	(0.45)	20.60
2017	4,833,105	1,306,301	38.25	43.71	81.96	9.63	11.69	2.98	8.50	8.50	(0.44)	19.84
2018	4,509,456	1,276,256	36.49	43.56	80.05	9.25	11.92	3.04	8.50	8.50	(0.43)	19.11
2019	4,207,480	1,246,903	34.81	43.41	78.23	8.88	12.16	3.10	8.50	8.50	(0.42)	18.40
2020	3,925,726	1,218,224	33.21	43.26	76.47	8.52	12.40	3.16	8.11	8.11	(0.41)	17.88
2021	3,662,840	1,190,205	31.68	43.11	74.79	8.19	12.65	3.23	7.36	7.36	(0.40)	17.51
2022	3,417,558	1,162,830	30.22	42.96	73.18	7.86	12.90	3.29	6.18	6.18	(0.40)	17.34
2023	3,188,701	1,136,085	28.82	42.81	71.64	7.56	13.16	3.36	4.17	4.17	(0.39)	17.51
2024	2,975,170	1,109,955	27.49	42.66	70.15	7.26	13.42	3.42	1.56	1.56	(0.38)	17.95
2025	2,775,938	1,084,426	26.22	42.52	68.73	6.98	13.69	3.49	1.19	1.19	(0.37)	17.50
2026	2,590,047	1,059,484	25.00	42.37	67.37	6.71	13.96	3.56	0.67	0.67	(0.36)	17.13
2027	2,416,604	1,035,116	23.84	42.22	66.07	6.46	14.24	3.63	-	-	(0.36)	16.84
2028	2,254,776	1,011,308	22.74	42.08	64.81	6.21	14.53	3.70	-	-	(0.35)	16.29
2029	2,103,785	988,048	21.68	41.93	63.61	5.98	14.82	3.78	-	-	(0.34)	15.75
2030	1,962,905	965,323	20.67	41.79	62.46	5.75	15.12	3.85	-	-	(0.34)	15.23

Table A2-4 Mid-Case; 2.3% Annual Decline in Brine Rate (continued)

Mid Case (Mid brine decline)		All values are in undiscounted US\$ mm unless stated otherwise										
	Natural gas production (Mscf)	Iodine production (Kg)	Gross Revenue, Natural Gas	Gross Revenue, Iodine	Total Gross Revenue	Royalties + State Tax on production	OPEX	Overheads	Total Depreciation charge	Total	Net Interest Payable/ (Receivable)	Income Tax
2031	1,831,459	943,121	19.71	41.64	61.35	5.54	15.42	3.93	-	-	(0.33)	14.72
2032	1,708,816	921,429	18.79	41.50	60.29	5.33	15.73	4.01	-	-	(0.33)	14.22
2033	1,594,385	900,236	17.92	41.35	59.27	5.14	16.04	4.09	-	-	(0.32)	13.73
2034	1,487,617	879,531	17.08	41.21	58.29	4.95	16.36	4.17	-	-	(0.32)	13.25
2035	1,387,999	859,301	16.28	41.07	57.35	4.78	16.69	4.26	-	-	(0.31)	12.78
2036	1,295,051	839,538	15.52	40.93	56.45	4.61	17.02	4.34	-	-	(0.31)	12.31
2037	1,208,328	820,228	14.80	40.78	55.58	4.44	17.36	4.43	-	-	(0.30)	11.86
2038	1,127,413	801,363	14.11	40.64	54.75	4.29	17.71	4.52	-	-	(0.30)	11.41
2039	1,051,915	782,932	13.44	40.50	53.95	4.14	18.06	4.61	-	-	(0.29)	10.97
2040	981,474	764,924	12.82	40.36	53.18	4.00	18.43	4.70	-	-	(0.29)	10.54
2041	915,749	747,331	12.21	40.22	52.44	3.86	18.79	4.79	-	-	(0.28)	10.11
2042	854,426	730,142	11.64	40.08	51.73	3.74	19.17	4.89	-	-	(0.28)	9.68
2043	797,210	713,349	11.10	39.95	51.04	3.61	19.55	4.99	-	-	(0.28)	9.27
2044	743,824	696,942	10.57	39.81	50.38	3.50	19.95	5.09	-	-	(0.27)	8.85
2045	694,014	680,912	10.08	39.67	49.75	3.38	20.34	5.19	-	-	(0.27)	8.44
2046	647,540	665,251	9.60	39.53	49.14	3.28	20.75	5.29	-	-	(0.27)	8.03
2047	604,177	649,951	9.15	39.40	48.55	3.17	21.17	5.40	-	-	(0.26)	7.63
Total	97,971,553	37,235,256	886.05	1,538.15	2,424.20	235.07	558.65	149.34	108.24	108.24	(6.97)	551.95

Table A2-5 Mid-Case; 2.3% Annual Decline in Brine Rate

Mid Case (Mid brine decline) All values are in undiscounted US\$ mm unless stated otherwise

		(minus) Change in	(plus) Current assets (excl. cash and equivalents)	(plus) Change in Current liabilities	(minus) Total capex	(plus) After- tax interest on debt	(minus) After- tax interest on cash	Free Cash Flow
	Net Income	(plus) Total Depreciation charge						
2008	(0.97)	0.65	0.31	0.07	8.50	–	0.04	(9.10)
2009	1.91	1.66	0.71	0.12	12.92	–	0.03	(9.98)
2010	7.23	3.20	1.32	0.32	19.64	0.39	0.08	(9.89)
2011	14.97	5.47	2.10	0.51	28.82	0.91	0.14	(9.20)
2012	25.71	8.50	2.81	0.68	38.35	1.18	0.24	(5.33)
2013	34.19	8.50	1.79	0.43	–	0.82	0.29	41.86
2014	32.84	8.50	(0.23)	(0.05)	–	0.43	0.29	41.66
2015	32.06	8.50	(0.22)	(0.05)	–	–	0.28	40.45
2016	30.89	8.50	(0.21)	(0.05)	–	–	0.27	39.28
2017	29.76	8.50	(0.20)	(0.05)	–	–	0.27	38.15
2018	28.67	8.50	(0.19)	(0.05)	–	–	0.26	37.05
2019	27.61	8.50	(0.18)	(0.04)	–	–	0.25	35.99
2020	26.81	8.11	(0.18)	(0.04)	–	–	0.25	34.81
2021	26.27	7.36	(0.17)	(0.04)	–	–	0.24	33.51
2022	26.00	6.18	(0.16)	(0.04)	–	–	0.24	32.07
2023	26.27	4.17	(0.15)	(0.04)	–	–	0.23	30.33
2024	26.92	1.56	(0.15)	(0.04)	–	–	0.23	28.36
2025	26.25	1.19	(0.14)	(0.03)	–	–	0.22	27.33
2026	25.70	0.67	(0.14)	(0.03)	–	–	0.22	26.25
2027	25.26	–	(0.13)	(0.03)	–	–	0.21	25.14
2028	24.43	–	(0.13)	(0.03)	–	–	0.21	24.32
2029	23.63	–	(0.12)	(0.03)	–	–	0.21	23.51
2030	22.84	–	(0.12)	(0.03)	–	–	0.20	22.73
2031	22.08	–	(0.11)	(0.03)	–	–	0.20	21.96
2032	21.33	–	(0.11)	(0.03)	–	–	0.20	21.21
2033	20.59	–	(0.10)	(0.02)	–	–	0.19	20.48
2034	19.87	–	(0.10)	(0.02)	–	–	0.19	19.76
2035	19.17	–	(0.09)	(0.02)	–	–	0.19	19.05
2036	18.47	–	(0.09)	(0.02)	–	–	0.18	18.36
2037	17.79	–	(0.09)	(0.02)	–	–	0.18	17.67
2038	17.12	–	(0.08)	(0.02)	–	–	0.18	17.00
2039	16.46	–	(0.08)	(0.02)	–	–	0.18	16.34
2040	15.80	–	(0.08)	(0.02)	–	–	0.17	15.69
2041	15.16	–	(0.07)	(0.02)	–	–	0.17	15.05
2042	14.53	–	(0.07)	(0.02)	–	–	0.17	14.41
2043	13.90	–	(0.07)	(0.02)	–	–	0.17	13.78
2044	13.28	–	(0.07)	(0.02)	–	–	0.16	13.16
2045	12.66	–	(0.06)	(0.02)	–	–	0.16	12.55
2046	12.05	–	(0.06)	(0.01)	–	–	0.16	11.94
2047	11.44	–	(0.06)	(0.01)	–	–	0.16	11.33
Total	826.95	108.24	4.86	1.12	108.24	3.72	7.90	819.03

Table A2-6 Mid-Case; 2.3% Annual Decline in Brine Rate**Mid Case (Mid brine decline) – Valuation**

<i>Item</i>	<i>Unit</i>	<i>Value</i>
Free Cash Flow	US\$ mm MOD	819.03
Discount rate	%	10%
Discounted Free Cash Flow as at 1 January 2008	US\$ mm MOD	170.58
(plus) Cash & Equivalents as at 1 January 2008	US\$ mm MOD	2.63
Enterprise Value as at 1 January 2008	US\$ mm MOD	173.22
(minus) Long-term debt as at 1 January 2008	US\$ mm MOD	0.53
Equity Value as at 1 January 2008	US\$ mm MOD	172.69
Equity Value as at 1 January 2008	GBP mm MOD	86.47

Mid Case (Mid brine decline), Sensitivity of Equity Value to the Discount Rate

<i>Discount rate</i>	<i>Equity Value US\$ mm MOD</i>
0.0%	821.13
2.5%	519.83
5.0%	346.74
7.5%	240.94
10.0%	172.69
12.5%	126.60
15.0%	94.30
17.5%	70.95
20.0%	53.65
22.5%	40.57
25.0%	30.52

Table A2-7 Low Case; 4.6% Annual Decline in Brine Rate

Low Case (High brine decline)

All values are in undiscounted US\$ mm unless stated otherwise

	Natural gas production (Mscf)	Iodine production (Kg)	Gross Revenue, Natural Gas	Gross Revenue, Iodine	Total Gross Revenue	Royalties + State Tax on production	OPEX	Total Overheads	Total Depreciation charge	Total Net Interest Payable/ (Receivable)	Income Tax
2008	164,700	37,027	0.91	1.04	1.95	0.15	0.25	1.93	0.65	(0.06)	—
2009	799,650	179,776	5.09	5.13	10.22	0.92	1.33	2.23	1.66	(0.06)	1.27
2010	1,758,150	395,263	11.91	11.51	23.43	2.39	2.92	2.34	3.20	0.53	4.82
2011	3,212,100	722,137	22.95	21.46	44.40	4.75	5.44	2.52	5.47	1.27	9.98
2012	5,222,250	1,174,055	36.94	35.58	72.53	7.90	9.01	2.70	8.50	1.57	17.14
2013	6,377,265	1,433,723	46.14	44.32	90.47	10.56	10.80	2.75	8.50	0.87	22.79
2014	5,810,135	1,367,771	43.00	43.13	86.13	10.65	11.01	2.81	8.50	0.24	21.16
2015	5,293,440	1,304,854	40.06	41.97	82.03	9.98	11.23	2.86	8.50	(0.44)	19.96
2016	4,822,694	1,244,831	37.33	40.84	78.16	9.35	11.46	2.92	8.50	(0.42)	18.54
2017	4,393,812	1,187,568	34.77	39.74	74.51	8.76	11.69	2.98	8.50	(0.40)	17.20
2018	4,003,070	1,132,940	32.40	38.67	71.06	8.21	11.92	3.04	8.50	(0.38)	15.91
2019	3,647,077	1,080,825	30.18	37.63	67.81	7.70	12.16	3.10	8.50	(0.37)	14.69
2020	3,322,743	1,031,107	28.11	36.62	64.73	7.22	12.40	3.16	8.11	(0.35)	13.68
2021	3,027,251	983,676	26.18	35.63	61.81	6.77	12.65	3.23	7.36	(0.33)	12.86
2022	2,758,038	938,427	24.39	34.67	59.06	6.35	12.90	3.29	6.18	(0.32)	12.26
2023	2,512,765	895,259	22.71	33.74	56.45	5.95	13.16	3.36	4.17	(0.31)	12.04
2024	2,289,305	854,077	21.15	32.83	53.98	5.59	13.42	3.42	1.56	(0.29)	12.11
2025	2,085,717	814,790	19.70	31.95	51.64	5.24	13.69	3.49	1.19	(0.28)	11.32
2026	1,900,234	777,310	18.34	31.09	49.43	4.92	13.96	3.56	0.67	(0.27)	10.63
2027	1,731,247	741,553	17.08	30.25	47.33	4.62	14.24	3.63	—	(0.26)	10.03
2028	1,577,287	707,442	15.91	29.43	45.34	4.34	14.53	3.70	—	(0.25)	9.20
2029	1,437,019	674,900	14.81	28.64	43.45	4.08	14.82	3.78	—	(0.24)	8.40
2030	1,309,225	643,854	13.79	27.87	41.66	3.84	15.12	3.85	—	(0.23)	7.63

Table A2-7 Low Case; 4.6% Annual Decline in Brine Rate (continued)

Low Case (High brine decline)		All values are in undiscounted US\$ mm unless stated otherwise									
	Natural gas production (Mscf)	Iodine production (Kg)	Gross Revenue,		Total Gross Revenue	Royalties + State Tax on production	OPEX	Total Overheads	Total Depreciation charge	Net Interest Payable/ (Receivable)	Income Tax
			Natural Gas	Iodine							
2031	1,192,795	614,237	12.84	27.12	39.96	3.61	15.42	3.93	—	(0.22)	6.89
2032	1,086,720	585,982	11.95	26.39	38.34	3.39	15.73	4.01	—	(0.21)	6.17
2033	990,078	559,027	11.13	25.68	36.81	3.19	16.04	4.09	—	(0.20)	5.47
2034	902,030	533,312	10.36	24.99	35.35	3.00	16.36	4.17	—	(0.19)	4.80
2035	821,813	508,779	9.64	24.32	33.96	2.83	16.69	4.26	—	(0.18)	4.15
2036	748,729	485,375	8.97	23.66	32.64	2.66	17.02	4.34	—	(0.18)	3.51
2037	682,144	463,048	8.35	23.02	31.38	2.51	17.36	4.43	—	(0.17)	2.90
2038	621,481	441,748	7.78	22.40	30.18	2.36	17.71	4.52	—	(0.16)	2.30
2039	566,213	421,428	7.24	21.80	29.04	2.23	18.06	4.61	—	(0.16)	1.72
2040	515,860	402,042	6.74	21.21	27.95	2.10	18.43	4.70	—	(0.15)	1.15
2041	469,984	383,548	6.27	20.64	26.91	1.98	18.79	4.79	—	(0.15)	0.59
2042	428,189	365,905	5.83	20.09	25.92	1.87	19.17	4.89	—	(0.14)	0.05
2043	390,110	349,073	5.43	19.55	24.98	1.77	19.55	4.99	—	(0.14)	—
2044	355,417	333,016	5.05	19.02	24.07	1.67	19.95	5.09	—	(0.13)	—
2045	323,810	317,697	4.70	18.51	23.21	1.58	20.34	5.19	—	(0.13)	—
2046	295,014	303,083	4.38	18.01	22.39	1.49	20.75	5.29	—	(0.12)	—
2047	0	0	—	—	—	—	—	—	—	—	—
Total	79,845,559	27,390,465	690.50	1,070.15	1,760.65	178.48	537.48	143.94	108.24	(3.38)	323.35

Table A2-8 Low Case; 4.6% Annual Decline in Brine Rate**Low Case (High brine decline)** All values are in undiscounted US \$ mm unless stated otherwise

		<i>(minus)</i> Change in						
	<i>Net</i>	<i>Depreciation</i>	<i>(plus) Current assets</i>	<i>(plus)</i>	<i>(minus)</i>	<i>(plus)</i>	<i>(minus)</i>	<i>Free Cash</i>
	<i>Income</i>	<i>charge</i>	<i>Total (excl. cash and</i>	<i>Change</i>	<i>Total</i>	<i>After-</i>	<i>After-</i>	<i>Flow</i>
			<i>equivalents)</i>	<i>in Current</i>	<i>capex</i>	<i>tax interest</i>	<i>tax interest</i>	
				<i>liabilities</i>		<i>on debt</i>	<i>on cash</i>	
2008	(0.97)	0.65	0.31	0.07	8.50	–	0.04	(9.10)
2009	1.91	1.66	0.71	0.12	12.92	–	0.03	(9.98)
2010	7.23	3.20	1.32	0.32	19.64	0.39	0.08	(9.89)
2011	14.97	5.47	2.10	0.51	28.82	0.91	0.14	(9.20)
2012	25.71	8.50	2.81	0.68	38.35	1.18	0.24	(5.33)
2013	34.19	8.50	1.79	0.43	–	0.82	0.29	41.86
2014	31.75	8.50	(0.43)	(0.11)	–	0.43	0.28	40.72
2015	29.94	8.50	(0.41)	(0.10)	–	–	0.27	38.49
2016	27.82	8.50	(0.39)	(0.09)	–	–	0.25	36.36
2017	25.79	8.50	(0.37)	(0.09)	–	–	0.24	34.33
2018	23.87	8.50	(0.34)	(0.08)	–	–	0.23	32.40
2019	22.03	8.50	(0.33)	(0.08)	–	–	0.22	30.56
2020	20.51	8.11	(0.31)	(0.07)	–	–	0.21	28.65
2021	19.29	7.36	(0.29)	(0.07)	–	–	0.20	26.67
2022	18.39	6.18	(0.28)	(0.07)	–	–	0.19	24.59
2023	18.07	4.17	(0.26)	(0.06)	–	–	0.18	22.26
2024	18.17	1.56	(0.25)	(0.06)	–	–	0.18	19.74
2025	16.98	1.19	(0.23)	(0.06)	–	–	0.17	18.18
2026	15.94	0.67	(0.22)	(0.05)	–	–	0.16	16.62
2027	15.05	–	(0.21)	(0.05)	–	–	0.15	15.06
2028	13.80	–	(0.20)	(0.05)	–	–	0.15	13.81
2029	12.60	–	(0.19)	(0.05)	–	–	0.14	12.61
2030	11.45	–	(0.18)	(0.04)	–	–	0.14	11.45
2031	10.33	–	(0.17)	(0.04)	–	–	0.13	10.33
2032	9.25	–	(0.16)	(0.04)	–	–	0.12	9.25
2033	8.21	–	(0.15)	(0.04)	–	–	0.12	8.21
2034	7.20	–	(0.15)	(0.04)	–	–	0.11	7.20
2035	6.22	–	(0.14)	(0.03)	–	–	0.11	6.22
2036	5.27	–	(0.13)	(0.03)	–	–	0.11	5.27
2037	4.35	–	(0.13)	(0.03)	–	–	0.10	4.34
2038	3.45	–	(0.12)	(0.03)	–	–	0.10	3.44
2039	2.58	–	(0.11)	(0.03)	–	–	0.09	2.57
2040	1.72	–	(0.11)	(0.03)	–	–	0.09	1.72
2041	0.89	–	(0.10)	(0.03)	–	–	0.09	0.88
2042	0.08	–	(0.10)	(0.02)	–	–	0.08	0.07
2043	(1.20)	–	(0.09)	(0.02)	–	–	0.08	(1.21)
2044	(3.69)	–	(0.09)	(0.02)	–	–	0.08	(3.70)
2045	(7.47)	–	(0.09)	(0.02)	–	–	0.08	(7.48)
2046	(12.50)	–	(0.08)	(0.02)	–	–	0.07	(12.51)
2047	(12.50)	–	–	–	–	–	–	(12.50)
Total	446.71	108.24	2.24	0.49	108.24	3.72	5.75	442.93

Table A2-9 Low Case; 4.6% Annual Decline in Brine Rate

Low Case (High brine decline) – Valuation

<i>Item</i>	<i>Unit</i>	<i>Value</i>
Free Cash Flow	US\$ mm MOD	442.93
Discount rate	%	10%
Discounted Free Cash Flow as at 1 January 2008	US\$ mm MOD	131.30
(plus) Cash & Equivalents as at 1 January 2008	US\$ mm MOD	2.63
Enterprise Value as at 1 January 2008	US\$ mm MOD	133.93
(minus) Long-term debt as at 1 January 2008	US\$ mm MOD	0.53
Equity Value as at 1 January 2008	US\$ mm MOD	133.40
Equity Value as at 1 January 2008	GBP mm MOD	66.80

Low Case (High brine decline), Sensitivity of Equity Value to the Discount Rate

<i>Discount rate</i>	<i>Equity Value US\$ mm MOD</i>
0.0%	445.03
2.5%	324.68
5.0%	238.82
7.5%	177.57
10.0%	133.40
12.5%	101.05
15.0%	76.99
17.5%	58.81
20.0%	44.89
22.5%	34.09
25.0%	25.61

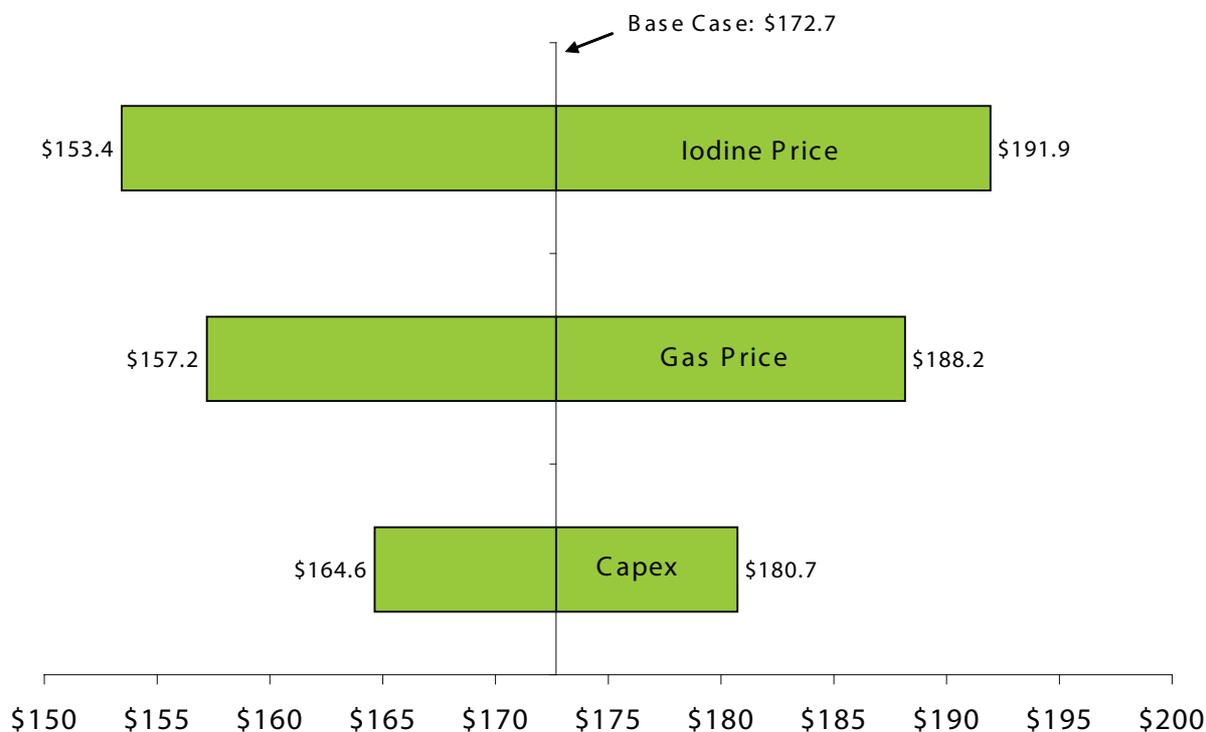


Figure A2-1 Equity Value (USD mm) Sensitivity Analysis: +/- 10% of key money-of-the-day variables

SECTION B

IODINE EXPERT'S REPORT



Armour Associates, Ltd.

North American Office
185 Haywood Knolls Drive
Hendersonville, NC 28791

European Office
13 bis, avenue de la Motte-Picquet
75007 Paris, France

The Directors

Iofina plc
82 St. John Street
London, EC1M 4JN

The Directors

Strand Partners Limited
26 Mount Row
London, W1K 3SQ

2 May 2008

Dear Sirs,

Re : Independent Evaluation of the Iodine Assets of Iofina plc, Review of World Iodine Markets and Confirmation of Extraction Technology

In accordance with your instructions, we have conducted a review of the world iodine markets, the methodology of the Wellhead Extraction Technology™ (“WET”), the iodine recovery rates using the WET™ extraction method and iodine concentration of the brine available under the current assets and leases of Iofina plc (“Company”). We have undertaken the aforementioned in connection with Iofina’s proposed application for admission to the AIM Market (“AIM”) of the London Stock Exchange. It is proposed that this Iodine Expert’s Report (IER) will be incorporated into the Competent Person’s Report being written by MHA Petroleum Consultants, Inc. (“MHA”), published in the admission document in connection with Iofina’s admission to AIM.

We confirm that we have given our written consent for the inclusion of our report and to references to our report contained in Part III of the Admission Document in the form and context in which they appear and have not withdrawn our consent and we authorize the contents of our report for the purpose of the AIM Rules for Companies and accept responsibility for it. We confirm that to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in our report is in accordance with the facts and does not omit anything likely to affect the import of such information.

Executive Summary

The worldwide iodine market is diversified and growing. A continued need for more iodine production is essential to keep pace with demand. In almost every sector, iodine usage is growing; moreover, we expect that a new use recently approved by the U.S. Environmental Protection Agency (“EPA”) in the agriculture industry will dramatically increase the need for iodine in the form of methyl iodide. Methyl iodide is now approved as the replacement for methyl bromide (methyl bromide is one of the most widely used pesticides in the world) for use with production of strawberries, peppers, tomatoes and lettuce farming as a fumigant (see http://www.epa.gov/pesticides/factsheets/iodomethane_fs.htm).

Iofina has identified and produced elemental iodine from a new source of iodine enriched brines located on the Company's leases in the state of Montana. To our knowledge and research no amount of iodine has been previously produced in Montana. Iofina calls its discovery the "Atlantis Field." Iofina will produce brine which is enriched with the by-product iodine along with natural gas using proprietary Wellhead Extraction Technology™ (WET). Iodine is a rare and valuable mineral that the United States and western European countries currently import to meet growing demands from pharmaceutical and industrial manufacturers. Iofina co-developed the current proprietary extraction technology with H&S Chemical, which gives Iofina a competitive advantage over other iodine producers. H&S Chemical is considered a leading scientific authority with respect to iodine chemistry and iodine derivative production in North America. Iofina has demonstrated the value of the WET™ method by field production and extraction of iodine from several columns. The iodine produced from these columns was tested and used successfully to produce various iodine derivatives at the research and development facilities of H&S Chemical.

Iofina's WET™ technology using electrolytic methods rather than traditional methods permits the Company to produce iodine at a reduced cost. Iofina believes using the WET™ technology it will become the largest independent producer of iodine in the United States. Based on the content and concentration of iodine in the Atlantis Field brine (average iodine concentration 53 parts per million ("ppm") Virgelle and 48 ppm Eagle), the vast volume of brine present in the field, internal Company expertise and experience with iodine and the Company's proprietary technology, Iofina is well positioned to become a significant player in the global iodine industry.

Iodine

Iodine is a bluish-black, non-metallic crystalline solid. Its atomic number is 53 and it is grouped with other elements that, together, are called the halogens. Iodine is the heaviest naturally occurring member of the halogen family. It is also the rarest, least reactive, and most expensive member of the series. Although in some applications (e.g. sanitizers) chlorine, bromine and iodine can be used interchangeably, iodine tends to be used when there are no practical alternatives as its price is significantly higher than either chlorine or bromine. Iodine, however, does not generally occur as an element in nature but occurs as iodates, iodides, or various other combined forms.

Physical Characteristics of Iodine	
Atomic number	53
Atomic weight	126.904
Density	4.933 gm/cm ³
Melting point	113.7 °C
Boiling point	184.35 °C
Molecular weight	253.809

The French scientist Bernard Courtois discovered iodine in 1811 when he treated seaweed ash with sulfuric acid. Samples of this unknown substance were identified to be a new element, and in 1813 Gay-Lussac named the substance *iode* in French, from the Greek word *ioeides*, meaning violet-colored. When iodine is heated, it sublimates at room temperature and has a peculiar odor. Iodine is, as a commercial product, solid and heavy, metal-like and has a black-purple luster. Pure iodine is toxic. It should not be ingested or handled with bare hands. The vapor is very irritating; it should be handled in a well ventilated area.

Iodine is essential to many life forms, including humans, and is found in thyroid hormones. A lack of iodine in the body will result in a condition known as a goiter where the thyroid gland in the neck becomes enlarged. In order to ensure an adequate amount of iodine in the diet, table salt is *iodized*. This approach has greatly reduced the incidence of goiter among people who regularly use table salt.

Compounds derived from iodine are used in many fields, thus making it an indispensable element in human life. Also, iodine is known to be an essential element to human growth, the necessary daily intake of it being 150 µg. Because of their high opacity to X-rays, iodine compounds are widely used as contrast-media for diagnostic purposes. Some pharmaceuticals and crop protecting agents have iodine as a substituent. Elemental iodine has a natural antibiotic function and is used as a raw material for the production of various bactericides or disinfectants. Iodine compounds are added to table salt and animal feed to treat and prevent

“iodine deficiency symptoms.” Iodine has a wide range of chemical uses, for example, in photo-sensitizers, paints, catalysts, stabilizers and polarizing films for liquid crystal displays. Also, iodine compounds are widely used as intermediates in chemical synthesis reactions.

Iodine is primarily recovered as a by-product with nitrate deposits in caliche deposits. Chile’s production of iodine is from this source in the Atacama Desert. Iodine exists in the form of compound ions in the sea, seaweeds, brine, and minerals. Its content in such sources normally being very low, the areas in the world where iodine can be economically collected are currently extremely limited. Seawater contains 0.05 ppm (parts per million) iodine which means that there are approximately 35 million metric tons of iodine in the world’s oceans. Dried seaweeds, particularly those of the *Limnaria* family, contain as much as 0.45 per cent. iodine. Seaweed was a major source of iodine before 1959, now uneconomical and is regarded as environmentally unacceptable, although seaweed remains a significant source for iodine in the diets of many people around the world. Various subsurface brines (water with many dissolved salts and ions) also contain iodine compounds. Gas brines in the United States and Japan locally contain 30 to 1,300 ppm iodine. Coals in Germany also contain iodine compounds. Iodine recovered from underground brines that are associated with natural gas and oil deposits are the only form of iodides outside Germany and Chile. Production from caliche is presently the most economical of the traditional methods mentioned excluding Iofina’s WET™ technology.

<i>Country</i>	<i>Reserves*</i>	
Chile	9,000,000	61.2%
Japan	4,900,000	33.3%
United States	250,000	1.7%
Turkmenistan	170,000	1.2%
Azerbaijan	170,000	1.2%
Russia	120,000	0.8%
Indonesia	100,000	0.7%
China	4,000	0.0%
TOTAL	14,714,000	100.0%

* January 2007 data from the USGS Minerals/U.S. data excludes Iofina

Currently iodine is produced in nine countries with output concentrated in Chile, Japan and the USA. In 2006, Chilean companies controlled about half the world’s nominal capacity and produced some 60 per cent. of global production. In the US, three producers of crude iodine in 2006 supplied from a local region in Oklahoma about 28 per cent. of domestic demand. Production in the US has been historically owned by the Japanese.

World Iodine Markets

Worldwide Distribution of Reserves

World iodine deposits are estimated to exceed 14.7 million metric tons (MT) with the largest reserves located in Chile, Japan, and the United States. [Table 2] The element occurs in gasified brines, seaweed, and iodine bearing nitrate ores. Prior to 1959, seaweed was an important commercial source but it is not currently economic to extract iodine directly from seaweed because of its extremely low concentration. The two primary sources for iodine production are subsurface brines associated with petroleum and natural gas deposits, and as a byproduct from nitrate deposits in Chilean desert caliche.

Production of Iodine

In general, production of iodine is carried out in association with other products. The most important source is nitrate ore in Chile where the co-products include inorganic nitrates, sodium sulfate, and lithium salts in addition to iodine. Co-production with oil and natural gas is found in several countries. Dedicated production from seaweed is limited to China which is still uneconomical.

Since the iodine market is a tightly controlled contract market, it is difficult to assemble and correlate reliable data. Armour Associates assembled data from corporate reports, the United States Geological Survey (“USGS”) commodity service, the Economics of Iodine, industry contacts and other references listed on the Reference page. We cross referenced the data and did not use data that could not be supported from multiple sources.

Table3

World Production of Iodine by Country 2004* (metric tons)			World Production of Iodine by Country 2006* (metric tons)		
Country	Production*		Country	Production*	
Chile	14,210	61.8%	Chile	15,300	60.5%
Japan	6,500	28.3%	Japan	7,300	28.9%
United States	1,130	4.9%	United States	1,220	4.8%
China	500	2.2%	China	550	2.2%
Turkmenistan	408	1.8%	Turkmenistan	300	1.2%
All others	252	1.1%	All others	630	2.40%
TOTAL	23,000	100.0%	TOTAL	25,300	100.0%

* 2004 data from the USGS Minerals Commodity Service

* Reported in January 2007 data from the USGS Minerals Commodity Service

Iodine is produced in nine countries but output exceeds 1,000 Metric Tons (MT) per year in only three (Chile, Japan and the US), with total world wide output of 27,000MT in 2007. There is often vertical integration within the iodine industry in countries where it is produced. Companies producing iodine in Chile, Japan and the US use it as feedstock for their own iodine derivatives. The iodine derivatives market is a \$2.5-3.0 billion per year market with substantial profit margins. Iodine chemical companies in non producing countries rely on imports for their raw material feedstock. Although meaningful commercial reserves of iodine are found in eight countries, just three account for 95 per cent. of the world’s production. Chile and Japan alone represent 90 per cent. of the world’s current output. [Table 3] In 2006, Chilean companies controlled over half the world’s nominal capacity and produced some 60 per cent. of global production. Capacity utilization rates varied widely that year with Chilean plants reporting a utilization rate of 93 per cent., Japan 61 per cent. and the USA 48 per cent. Both Japan and the United States ability to operate at full capacity is now limited by the lack of iodine-rich brine constant streams to those facilities and thus production is and will continue to decline.

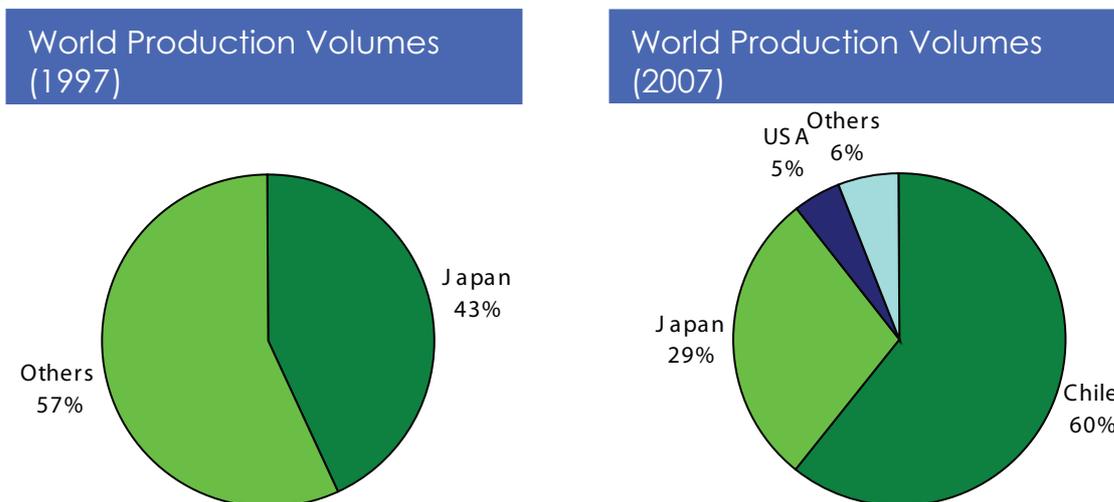


Figure 1 The 2007 total annual world production volume of iodine is estimated at 25,300-27,000 MT, of which Chile will produce over 60 per cent. Almost 80 per cent. of Japan’s output is produced in the Sotobo region of the Chiba Prefecture.

Review by Major Country

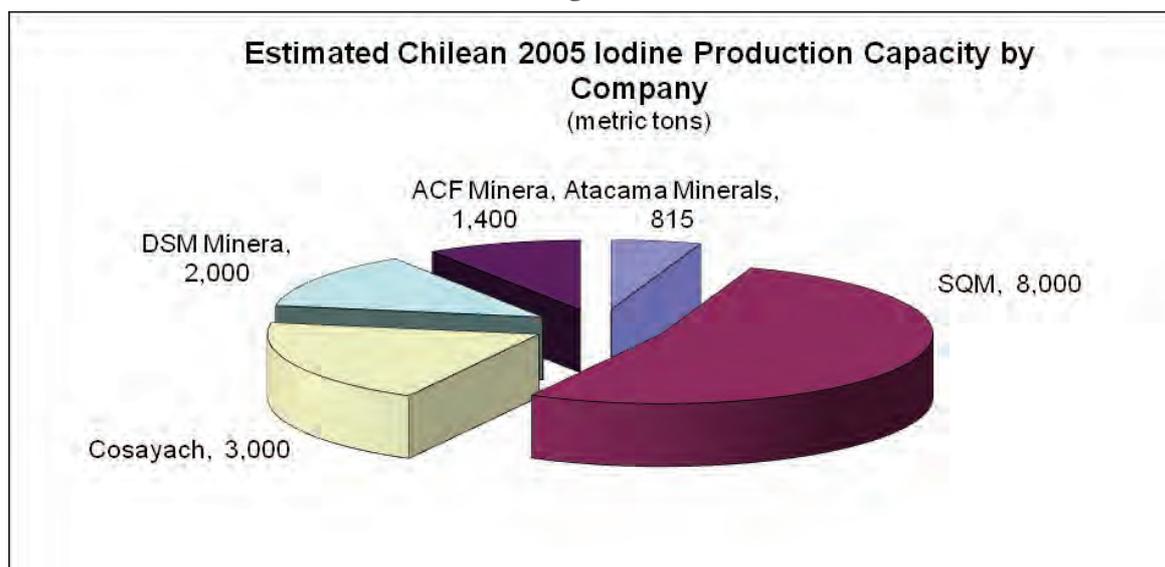
Chile

Chilean companies are the main producers of iodine in the world, accounting for around 60 per cent. of global production in 2006. A significant portion of Chilean iodine output is produced as a co-product with nitrates. This is the case with SQM (a public company that trades as SQM on the New York Stock Exchange, (“NYSE”), the largest producer. Chilean production is dominated by two companies: SQM and Cosayach. SQM alone is estimated to account for 34 per cent. of total global output as per their own claims in their March 2007 shareholder presentation. Figure 2, on the following page, illustrates the designated capacity of each company’s production facilities. However, actual production may differ dramatically from capacity or stated production. In some cases, there may be no actual production.

High iodine grades of caliche ore, surface mining and heap leaching are the key factors that provide a cost advantage for Chilean production of iodine. The majority of their production is exported to the United States, Western Europe, and Japan. The iodine-bearing nitrate ores are extensive in Chile. The ore occurs in a belt several hundred kilometers long and tens of kilometers wide. The caliche ore layers are 1 to 3 meters thick, flat lying or gently dipping, and near the surface. The caliche is typically 5 per cent. to 30 per cent. sodium nitrate, and contains iodine as calcium iodate in concentrations averaging 0.04 per cent. to 0.06 per cent. Crushed caliche tailings are leached to produce a solution containing sodium nitrate and calcium iodate. Once precipitation of the sodium nitrate occurs, the remaining liquid is then stripped of iodine.

Production costs range, for 2007, from \$12-\$14 per kg in Chile. For example, at Atacama Minerals in the nine months ending 30 September 2007, production costs, according to their earnings report, were \$13.48 per kg. Including total expenses of SG&A, production cost was nearly \$22.81 per kg. Currently, the Atacama region caliche ore remains the lowest cost producer in the world, not including Iofina.

Figure 2



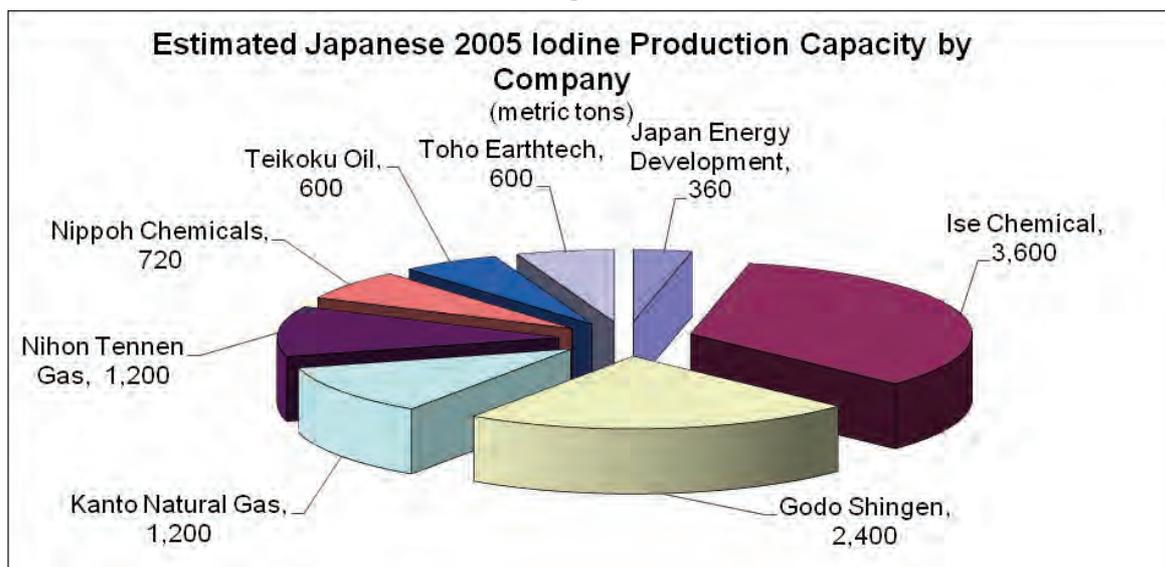
Source Data: The Economics of Iodine, 2005

Japan

Extracting iodine from Japanese brine costs more than producing it from nitrate ores using existing technologies. Japan began producing iodine in the 1930’s. Labour and energy costs are also higher in Japan than in Chile or the US, putting Japanese iodine producers at a further disadvantage. The majority of production is exported, either as elemental iodine or as derivatives. The main destinations of Japanese iodine exports are the United States and Western Europe. The iodine content of the Japanese subterranean brines ranges up to 160 ppm but averages approximately 100 ppm. The major iodine-producing area in Japan is the southern Kanto gas field, which extends over to Chiba, Tokyo, and Kanagawa prefectures along the east-central coast of the main Japanese island of Honshu. The export market for 2004 was estimated to be 80 per cent. Figure 3 on the next page illustrates the designated capacity of each company’s production facilities.

However, actual production may differ dramatically from capacity or stated production. In some cases there may be no actual production.

Figure 3



Source Data: The Economics of Iodine, 2005

United States of America

All current iodine production in the United States comes from 300 ppm iodine-rich brines in the deep subsurface of the Anadarko Basin of north-western Oklahoma. The first iodine operation opened in 1977 as a joint venture between Amoco Production Company (“Amoco”) and Pittsburg Plate Glass Industries called Woodward Iodine Company. This was preceded by 12 years of analysing brine samples collected by Amoco. Amoco noted high concentrations of iodine in the Woodward area. Amoco Research Center determined that 60,000 barrels per day of iodine-rich brine had to be moved over a 10 year period to recover their expenses and make the project economically viable. The project ultimately became more economical than originally forecasted. In 1984 the operation was purchased by Asahi Glass Co. of Japan and has remained Japanese owned and operated. Morrowan sandstones in the area are as much as 100m thick and are preserved as channel sands in a south-trending palevalley (the Woodward trench) cut into the Chesterian surface. Brine production wells and injections wells are located toward the northern end of the Woodward trench. These brines are re-injected into the same producing formation. Three companies operating in Oklahoma account for 100 per cent. of the 2006 US elemental iodine production of 1,220 MT. The largest plant, operated by Iochem, has an annual production capacity of 1,200 MT in Vici, Oklahoma. It is owned by Tomen a division of Toyota Tsusho Corporation, and the bulk of its production is sold under long term contract to Schering AG of Germany. Iochem’s production comes from waste brine associated with oil. The depths of the production and injection wells are 3,000 to 3,183m.

Woodward Iodine Company is now owned by Ise Chemical of Japan. Production from this plant is exclusively distributed by MICAL Specialty Chemical, Inc. a subsidiary of Mitsubishi International. The operation at Woodward, Oklahoma, produces iodine from subterranean brines. Major consumers were located in the Eastern United States. The depths of the production and injection wells are 2,130 to 2,290m.

North American Brine Resources was originally a joint venture between a US company and two Japanese firms (Godoie and Inorgchem). In 2002, a group of private Japanese investors purchased the company and are reported to be continuing to operate the mini plant producing 50 MT/year in Kingfisher County, Oklahoma using waste brine associated with oil.

Table 4

US Import Sources (2002-2005): Chile, 71% ; Japan, 27% and other, 2%. Source: USGS January 2007

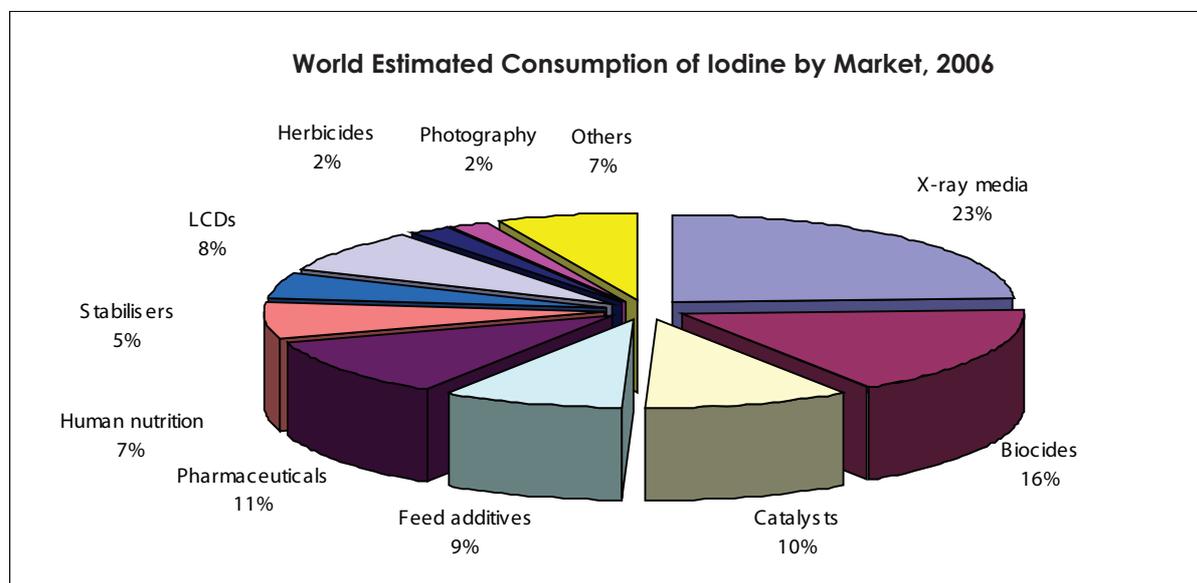
<i>Salient Statistics—United States:</i>	2002	2003	2004	2005	2006 _e
Production	1,420	1,090	1,130	1,570	1,220
Imports for consumption, crude content	6,200	5,800	5,700	6,250	5,200
Exports	1,580	1,600	1,270	2,660	2,700
Shipments from Government stockpile excesses	25	361	245	444	465
Consumption:					
Apparent	6,520	5,240	5,560	5,600	4,190
Reported	4,540	3,930	4,070	4,680	NA
Net import reliance as a percentage of apparent consumption	77	81	81	72	71

Units = MT
e=estimate

Markets and Uses

By Application

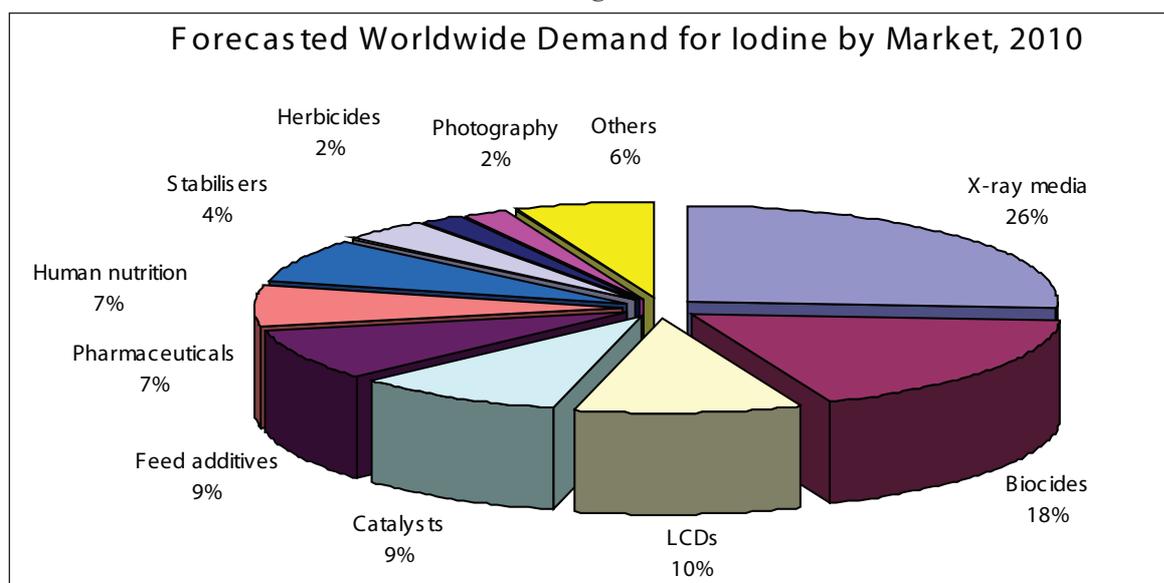
Major uses of iodine on a worldwide basis include X-ray contrast media, iodophors, chemicals, pharmaceuticals, human and animal feed additives, nylon production and others (See Figure 4). Iodophors are used in a variety of disinfectants in medical and agricultural applications. Iodine is used as an important catalyst in the production of various chemical intermediates (such as acetic acid). Establishing an accurate end-use pattern for iodine was difficult because intermediate iodine compounds were marketed before reaching their final end uses.

Figure 4

Source Data: Blend of USGS, SQM, KNG, and others

Consumption of iodine in the United States during 2004 was estimated to be 5,560 MT, about 80 per cent. of which was imported. Major uses in the US include sanitation, animal feed, pharmaceuticals, catalysts, heat stabilizers and others (inks and colorants, photographic chemicals, laboratory reagents, production of batteries, high purity metals, motor fuels and lubricants.)

Figure 5



Source Data: The Economics of Iodine, 2005

The demand for iodine has increased in several traditional applications, such as a catalyst in the chemicals industry, particularly in acetic acid production. Acetic acid is used in the production of polyester for plastic bottles and in the synthesis of vinyl acetate. It has an annual growth rate of 3 per cent.

Increased demand for iodine as a disinfectant and in water treatment is expected as developing nations expand treatment of water supplies which continue to grow at a high rate.

In the next decade, 20 per cent. of the population of industrialized nations (including Japan, Western Europe, and the US) will be over the age of 65. Therefore, the demand for improved diagnostic testing in health care will grow, with a corresponding increase in the demand for X-ray contrast media, which contain up to 60 per cent. iodine on a weight basis. Demand for iodine in this application is forecast to rise by an average of 5 per cent. per year until 2015.

Iodine consumption in electronics is rising at the fastest rate of any market segment because of its use in the production of optical polarized film

for LCD screens. Demand for iodine in this market could grow by 30 per cent. per year, making this application the third largest use by 2010. (See Figure 5 and Table 5 on this page)

By Geography

As a result of the uneven distribution of iodine production around the world, a high proportion of output is traded. The main trade flows are from Chile and Japan to Western Europe, North America and Asia. Western European iodine consumption exceeds that for North America (see Figure 6).

Western European consumers are the main importers of iodine in the world, followed by those in North America. Iodine imports into Western Europe have grown about 3.5 per cent. per year over the last decade.

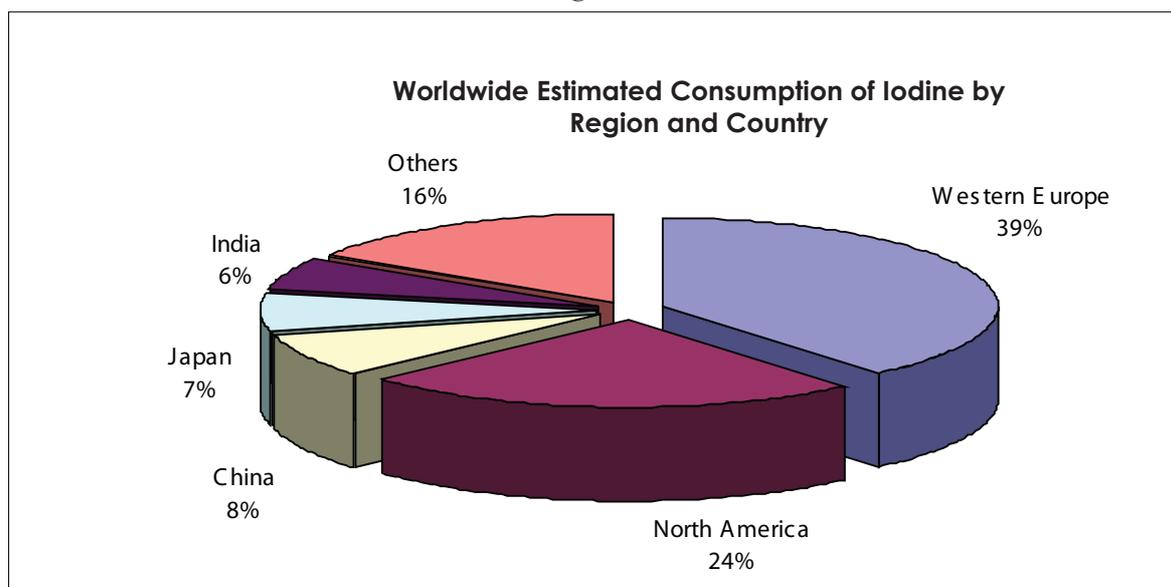
U.S. iodine imports are the largest of any country in the world, owing to the low production levels and high demand. The majority of U.S. imports come from Chile (69 per cent.) and Japan (28 per cent.) [2004 data].

Although starting from a small base, Chinese imports of iodine increased by two hundred fold in the seven years from 1997 to 2004 and have continued to increase into 2007 due to LCD production demand and a switch of manufacturing products from the US and Western Europe to China. Part of the increase in demand was also due to the introduction of a salt iodization program. Imports to India tripled in the same period. As many other newly industrialized countries have robust growth, iodine demand will continue to grow driven by salt iodization programs and contrast media in the medical institutions.

Foreign Trade

The U.S. Government adopted the harmonized commodity description and coding system as the basis for its export and import tariff and statistical classification systems. The system is intended for multinational use as a basis for classifying commodities in international trade for tariff, statistical and transportation purposes. It includes unification of resublimed and crude iodine under the same code and free duty rate. Values that differ significantly could be a result of items being placed in the wrong category as a result of mistakes in reporting or to protect military items. The International Trade Administration of the U.S. Department of Commerce provides monthly and annual import and export data by Harmonized Tariff Schedule of the United States classification.

Figure 6



Source: The Economics of Iodine, 2005

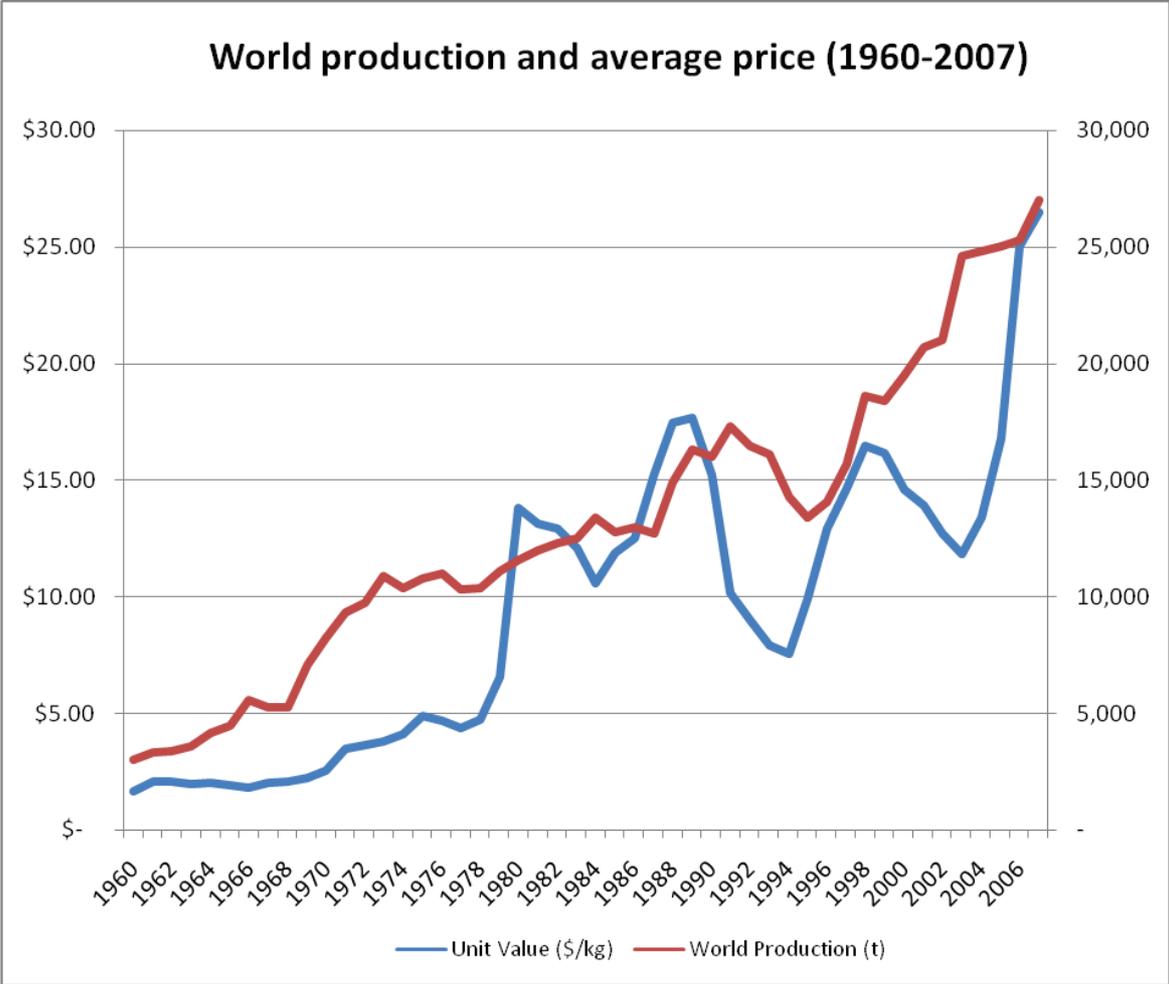
Pricing

Over most of the past 50 years pricing for elemental iodine has displayed a cyclic pattern superimposed on a steadily rising trend (see Figure 7). Actual prices for iodine are negotiated on long and short-term contracts between buyers and sellers.

In the late 1970s, iodine prices increased largely as the cost of production in Japan rose. At that time, Japanese companies were the main producers of iodine. A further factor during this period was the strengthening of the yen against the US dollar that led to even higher increases in the US dollar price. In 1986, increasing demand for iodine in the US, coupled with the strong yen, led to a series of price increases that peaked between 1989 and 1991. The recession in the early 1990s reduced demand and prices fell, giving rise to the closure of some production units, particularly in Japan. Increased demand and a tightening of supplies during 1994 led to another steady rise in prices. In response, Chile increased production in the late

1990s which gave rise to another cyclic price shift. By the early 2000s, demand had caught up with supplies and in 2004, the global supply/demand balance of iodine was in deficit and, as a consequence, prices rose to their highest levels since 1998 and have continued to firm during subsequent years. Artificial supply from the US government stockpile put pressure on prices in the early 2000s. This supply should curtail in 2007 taking another 456MT/year out of the supply market. Demand is forecast to continue to rise at an average of around 4-7 per cent.pa until 2010 when it is expected to reach nearly 30,000MT.

Figure 7



*Data from USGS Minerals Report, SQM annual reports, Industry reports and Kanto Natural Gas

Iodine has diverse applications in a wide variety of industries, including x-ray contrast media (22 per cent.), biocides (20 per cent.), pharmaceutical (15 per cent.), nutrition (13 per cent.), nylon (9 per cent.), Fluor-Q (7 per cent.), LCD (4 per cent.) and others (10 per cent.). While demand in these markets is expected to grow in coming years, significant growth is also expected in a relatively new application, LCDs. Current LCD technology demands the incorporation of optical polarized film (OPF) into the display structure. The production of OPF requires iodine. This application used about 700t of iodine in 2004, but such is the forecast growth pattern for LCDs and hence OPF, that it is estimated that demand for iodine in LCDs could exceed 3,000MT in 2010. Other applications where demand might increase over the next 10 years include conductive polymers, fuel cells and synthetic blood, though these developments are highly speculative.

Patterns and Future Trends

In the last several years, demand for iodine has grown at a 6-8 per cent. compounded annual rate. The increase both in volume of sales and in pricing is mainly explained by:

- Sales of iodine to the x-ray contrast media, biocides and pharmaceutical markets, which on average experienced growths of approximately 7 per cent.; and

- Higher sales to China, mainly to the pharmaceutical, LCD, water treatment and disinfectant industries.

The iodine market remains robust with 2006 year-end sales averaging \$25/kg and 2007 year-end sales approaching \$28/kg. The average declared cost, insurance, and freight (c.i.f.) value for imported crude iodine in the US ranges between \$25-\$30/kg. Demand by far outstrips maximum current and projected supply according to the USGS commodity service and industry experts.

The average market price for iodine moving forward over the next several years based on current trends and continued increased usage patterns will continue to climb. A conservative range of price would be \$26-\$32/kg over the next several years based on quantities purchased and contractual agreements. This price range does not reflect the significant increase that will occur when methyl iodide's use as a fumigant is adopted globally. Methyl iodide is approved for 50-175 pounds of product per acre. At these rates for the replacement of methyl bromide, several thousand metric tons of iodine will be needed to manufacture these amounts of methyl iodide in the first year.* The range in price is based on the growing demand for iodine in both the emerging markets of China and India and based on actual increasing usage patterns of iodine globally. Methyl iodide usage will impact these prices thereby increasing the average market price based on the amount of methyl iodide used. Large users will continue to see the best pricing and spot buyers can expect to pay a range of \$2-\$8/kg more because of the high demand for the product. For 2008 the average price for the mid to larger users of iodine should range between \$26-\$31/kg and will depend on volume and contracts in place. The main buyers of iodine are derivatives manufacturers.

Regulatory Risk

The regulatory risks associated with iodine are minimal. However, a U.S. DEA (Drug Enforcement Agency) license is needed to ship iodine within the U.S. This is accomplished by filling out the necessary paperwork to inform the DEA of your intent to become a licensed shipper of iodine (only iodine shipments that contain over 2.2 per cent. iodine require the license). Exported iodine requires a 15 day waiting period from the time of notification to the DEA and the planned shipment of the iodine. The regulatory risk for Iofina is low because of the ease of obtaining the DEA license (good standing as a U.S. citizen) and the fact that an Iofina director has extensive experience in the manufacture of iodine derivatives which involve the handling of both domestic and foreign iodine shipments. This same director was the former President of H&S Chemical Co. where the company had several DEA licenses for iodine derivatives both domestic and foreign. (See U.S. DOJ, DEA reference)

Manufacturing Process

General background

Iodine is found in nature as an inorganic salt, and is always found in combination with other inorganic salts. Commercial recovery processes require the use of separation techniques that allow separation of the iodine inorganic salts from the non iodine inorganic salts. Currently there are three methods, the Blowing-Out Method, Ion-Exchange Resin Method and the Leached Ore Method which includes the Blowing-Out Method as the final process. The most widely used techniques for iodine-rich brine production are the Blowing-Out Method and the selective Ion-Exchange Resin Method. Both of these processes involve a substantial chemical change of iodide salts to elemental iodine.

Blowing-Out Method

The mixed iodide salts found in nature that have iodine value are first chemically changed from iodide salt to elemental iodine. After chemical transformation to elemental iodine this process takes advantage of the fact that elemental iodine has a high vapor pressure, implying that it is relatively easy to vaporize. Heat and air flow separates the iodine which is condensed and collected. This procedure requires relatively high capitalization costs, higher operational costs and is suitable only for larger installations.

* (see http://www.epa.gov/pesticides/factsheets/iodomethane_fs.htm ,
http://www.unep.org/ozone/Information_for_the_Parties/Decisions/Dec_ExI_4-3/australia.pdf and
<http://ucanr.org/delivers/impactview.cfm?impactnum=106>)

The typical chemical process flows as follows (Johnson and Gerber 1999, Lauterbach et. al. 2001, Stanley and Johnson, 2006):



The iodine crystals are separated from the liquor via batch filtration, followed by vacuum drying of the filtered cake. Wet iodine is then treated with hot sulfuric acid to remove impurities. The final step converts the iodine product into a prill or flake where it can be packed for shipment.

Ion-Exchange Resin Method

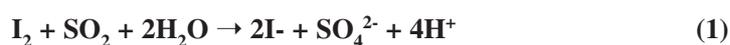
This method takes advantage of the fact that the more valuable ionic iodine can be selectively exchanged for other less expensive ions contained on a preparative ion exchange resin contained in a column. The process involves simple chemical preparation of the iodine containing brine and passing it through the exchange column. Following the adsorption/exchange of the iodine value on the column it is removed by a stripping technique to recover the iodine value. The advantage of this method is the relatively lower capitalization costs, lower operational costs and relative simplicity and mobility of the equipment required. This advantage allows for greater flexibility in terms of operational scale, making it suitable for both small and large iodine isolation plants.

The typical chemical process involves steps consisting of acidification (typically with HCl), oxidation (typically with Cl₂), washing the resin with caustic (NaOH) and finishing with a second rinse of salt (NaCl). The resulting solution contains both sodium iodate (NaIO₃) and sodium iodide (NaI). The solution is then acidified to extract the iodine. The iodine is then centrifuged and sometimes resublimed if further purification is required (Lyday, 1986, Stanley and Johnson, 2006).

Iodine Recovered from Leached Nitrate Ores

In Chile, iodine is recovered from ores that contain iodates after the ore is treated with sea water. Ocean salt water is pumped into large leach piles which contain nitrates and iodine in various stages of oxidation. Leached ore is the pre-treatment for extraction with the Blowing-Out Method as mentioned above being the last process needed to produce iodine.

The typical chemical equation for extraction of iodine from Nitrate Ores is as follows (Lauterbach et. al. 2001, Stanley and Johnson, 2006):



This method involves a multistep process whereby kerosene is used in an extraction process where iodine is reduced to iodide with SO₂ (equation 1). The iodate is divided into two streams, whereby five sixths passes through the SO₂ absorption tower of the iodide plant (equation 2) and streams from the iodide solutions and the kerosene extractions are combined with iodate solutions to produce iodine (equation 3).

Wellhead Extraction Technology™

Iofina, in collaboration with H&S Chemical Co. Inc., has developed a new method of iodine extraction using a modification of the Ion-Exchange Resin Method. In the process, iodine containing brine is chemically changed and made ready for the Ion-Exchange process by a chemical process that is managed with the application of electrical current. With this process the oxidation chemicals required to prepare the brine for adsorption are continually generated and continually react as required by the application of electrical current to the brine. This procedure is unique and useful from many perspectives; two of the most important features are that the operation of the equipment does not require the handling of corrosive chlorine gas nor does the

acid level of the Iofina Ion-Exchange Resin Method need to be as acidic as those previously used. In addition the cost of chemical oxidant is not the cost of a purchased chemical but the relatively lower cost of electric current to the Iofina equipment. This has obvious safety, environmental and cost efficiency implications in iodine production.

Iodine is a peculiar and complex atom. Iodine exists in many different forms called oxidation states, and each behaves differently. The Ion-Exchange Method is normally practiced at quite acidic pH values. The Iofina Ion-Exchange Method is practiced at a relatively mild pH level made possible by the onsite generation of oxidant. Traditionally, chlorine gas is used to oxidize iodine containing brines to make the brine ready for adsorption on the anion ion exchange column. The WET™ method manufactures NaOCl from NaCl which is already a major component in the iodine containing brine as it is harvested in the field. This eliminates the personal protection needed for handling chlorine gas along with all other handling and site safety complications of handling chlorine gas. Because the Iofina methods of iodine extraction are performed in the field and use modifications of the traditional methods of oxidizing brine streams, infrastructure costs are greatly reduced.

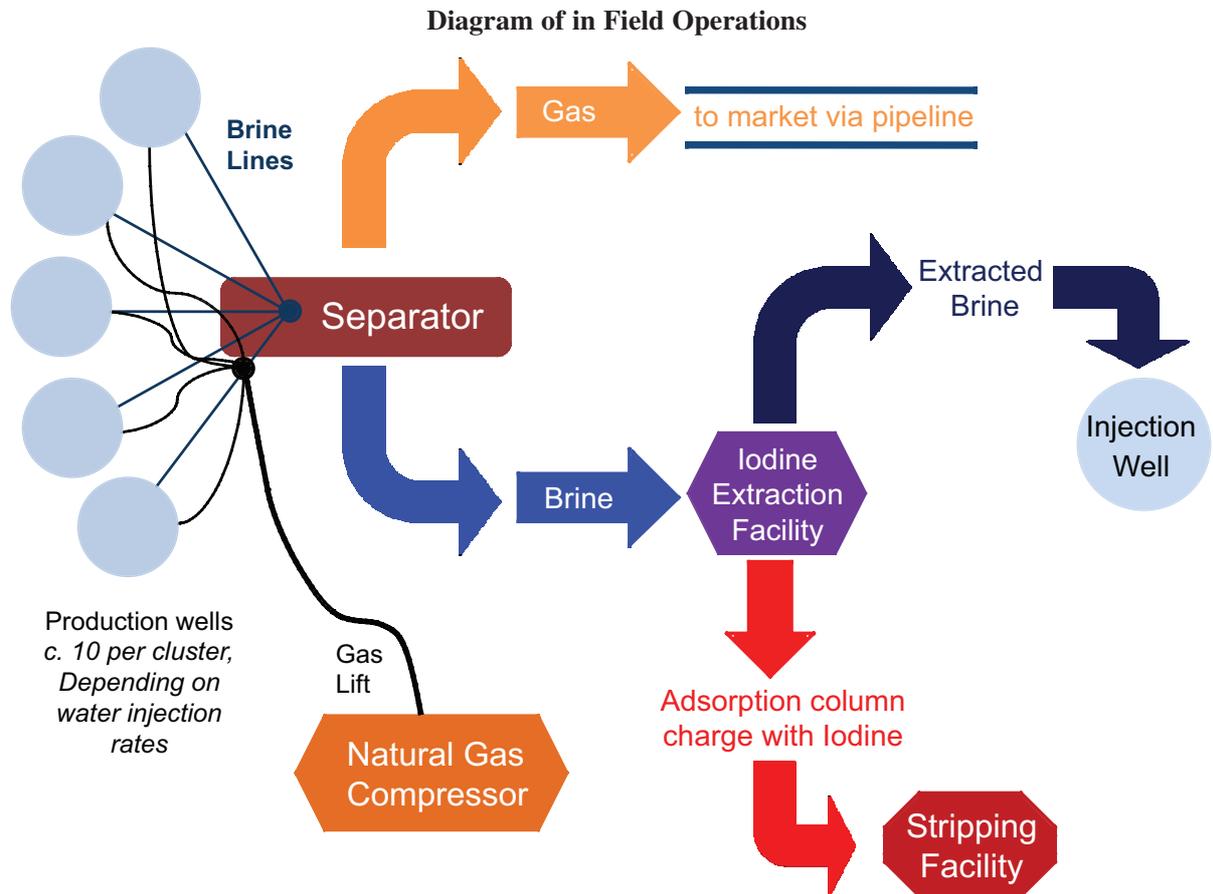
The WET™ technology has been proven. Field production units using the WET™ have been assembled and operated in Montana brine/gas fields. The average yield on these production units is higher than 70 per cent. This means that 70 per cent. of the available iodine in the brine that was passed through the production unit was recovered as elemental iodine. The iodine contained in the brine used for this production unit study was measured at 53ppm. This production study verifies the Iofina WET™. In addition at H&S Chemical Co. Inc. pilot units have verified these production results using brine identical to that used in the field in Montana for the prior eighteen months.

A mobile skid mounted iodine brine recovery unit was constructed in August 2007 using the Wellhead Extraction Technology™. The mobile unit was delivered to Hill County Montana and positioned near the Mendell-American NO. 1 D. JORGENSEN well on 9 September, 2007. A technical team from Iofina and H&S Chemical Co. were on site to set up the skid mounted iodine brine recovery unit. The unit was connected to the brine output of this well and was fully operational on cycle number 1. A local operating team was on site and began their training during the first 8 day recovery cycle number 1. The iodine brine recovery unit was designed for automatic recovery and therefore operated continuously during the filling cycle. Field recovery columns are easily removed from the skid mounted iodine brine recovery unit and a new empty column is easily reattached to the unit for filling. By the end of cycle number 1, the local operating team was fully capable of operating the automated skid mounted iodine brine recovery unit, without the help of the technical team, however the technical team remained on site for another 5 days into cycle number 2. The other two test cycles, numbers 3 and 4, were completed in October 2007 using only the locally trained operating personnel. As the detachable columns were filled in cycles number 1, 2, 3 and 4 they were packed in shipping containers at the well head site and shipped back to the H&S Chemical Co. facility for evaluation and removal of the iodine contained in the recovery column. It should be noted that these columns can be reused repeatedly without depletion of efficiency.

Results:

- The iodine contained in the well head brine was production matched and confirmed at 53 ppm.
- The WET™ technology was successfully demonstrated in the field during the 4 cycle run.
- The iodine recovered is of good quality and has been used for synthesis by H&S Chemical Co. on several iodide derivatives with results as good as standard retail iodine.
- The Iodine recovery efficiency was confirmed at greater than 70 per cent.
- Armour and Iofina believe the Iodine recovery efficiency will become much greater as production rates increase and continue throughout the field development with fine tuning of the process.
- The performance of the skid mounted iodine brine recovery unit was excellent, and easily adapted to the requirements for this on site iodine extraction.

- The experience gained from the skid mounted iodine recovery unit demonstrates this technology will be a viable method for extraction of Montana iodine.
- The ease of operation in field confirms the design performance of the current automation level of the recovery equipment.
- The rapid training of the onsite non technical personnel confirms the validity of simplified operational design.
- Scale up or scale down relating to recovery rates will remain constant due to Iofina Natural Gas, Inc's proprietary distribution system using multiple columns.



Field Studies of Contained Iodine

Iofina has conducted a survey of iodine contained in the water at various well locations in the Atlantis Field. While the data extraction points are confidential to Iofina, we have been given this data and have included as a not to be publicly published **Exhibit A**. The data show a range in the Atlantis Field of approximately 50-55ppm iodide for the Virgelle formation and 47-48ppm iodide for the Eagle formation, with an average concentration of 53ppm of iodine for the Virgelle and an average of 48ppm of iodine for the Eagle. It should be noted that iodide concentration accounts for only the iodide content (as NaI) and does not reflect the total of all iodine present in other oxidation states (for example, iodates, NaIO₃, KIO₃, etc.). This number is conservative relative to the total iodine content given that only iodide content accounts for the 48ppm value. Total iodine as a measure of both iodides and iodates will be higher than these numbers. Armour advises MHA to use both of these conservative numbers for the average concentration of the iodine-rich brines for their CPR on these two formations. The average number used is the iodine as a measure conservatively of both iodides and iodates and also includes actual production yield data. Other formation zones are present on the Company's existing leases. These zones include the Sawtooth, Niobrara/Medicine Hat and Upper Belle Fouche formations. All of the zones contain iodine with the Niobrara Medicine Hat having the highest average concentration of all the Atlantis Field formations. Armour Associates was told by Iofina that the

Company intends to test production in all these other zones, however, the Eagle and Virgelle formations will be the first production formations.

Uniqueness of the Brine Water Chemistry of Iofina's Atlantis Field

The Atlantis Field chemistry is unusual because of two main factors; 1) the salinity of the water is low compared to other fields that contain iodine and 2) the brine is clean in that there are nil to no detectable organics aside from methane (CH₄). The Atlantis Field water has a salinity of approximately 6,500ppm as NaCl. The lower salinity is favorable because the ratio of iodide to chloride is higher and therefore inside the column the resin does not have as much competition for chloride ions compared to iodide ions. This improves the efficiency and therefore the yield using a resin column method. Nil to no organic matter is important because there is no need for extensive or complex filtration before the brine enters the resin column. This in turn eliminates one step in the process, improves efficiency and reduces head pressure needed to bring the brine through the system.

Conclusion of the Wellhead Extraction Technology™

The extraction technology used by Iofina is unique and we cannot find like well head technologies anywhere in the world. A low cost method has been demonstrated using the brine stream NaCl as the oxidant by employing electrolytic methods rather than traditional chemical methods. Iofina's WET™ supports a platform which can efficiently extract iodine from the brine stream in the field. This technology will be able to be used on other fields and properties for Iofina around the world and is the most environmentally friendly of all methods. Due to the design architecture of using multiple columns and using Iofina Natural Gas Inc's proprietary distribution system, we are confident that varying scales in the field in order to optimize well brine flow is not a concern. For larger operations more columns can be added for extraction of iodine for a larger amount of brine flow. For smaller production columns can be removed which is a key cost advantage to Iofina.

Qualifications and Basis of Opinion

Armour Associates conducts evaluations, chemical studies, economic analysis, management consulting and expert witness testimony for chemical companies. The firm has a substantial knowledge of iodine, iodine markets, halogens and iodine derivatives.

Each member of Armour Associates meets the requirements set forth by the London Stock Exchange to be a competent person as listed below:

- We are professionally qualified members in good standing of an appropriate recognized professional association.
- Have in excess of five years of relevant experience in the estimation, assessment, consulting and evaluation of the halogens which include iodine.
- Are independent of Iofina, its directors, senior management and advisers.
- Neither is remunerated by way of a fee that is linked to the admission or value of Iofina.
- None are a sole practitioner.

Consent

We confirm that we have given our written consent for the inclusion of our report and to references to our report contained in the admission document in the form and context in which they appear.

Respectfully,



Philip E. Rakita
Managing Director
Armour Associates, Ltd.

Glossary of Terms

CH ₄	methane
Cl ₂	chlorine gas
CPR	Competent Person Report
HCl	hydrochloric acid
H ₂ SO ₄	sulfuric acid
I	iodine
I ₂	molecular iodine
kg	kilogram
LCD	liquid crystal display
MT	metric tons
MHA	MHA Petroleum Consultants. (www.mhause.com, Suite 190, 14142 Denver West Pky, Lakewood, CO 80401)
NaIO ₃	sodium iodate
NaI	sodium iodide
NaOCl	bleach
OPF	optical polarized film
ppm	parts per million
Prill	a small aggregate of a material, most often a dry pellet, usually formed from a liquid.
SO ₂	sulfur dioxide
SQM	Sociedad Química y Minera de Chile S.A. (NYSE: SQM)
SG&A	Selling, General and Administrative Expenses
USGS	United States Geological Survey
WET	Wellhead Extraction Technology™ (Iofina service and trademark)
\$	U.S. Dollar

REFERENCES

- Cotton, H.M. 1978. Iodine in northwestern Oklahoma. Pages 89-94 in *Proceedings of the 13th Annual Forum on the Geology of Industrial Minerals*. Edited by K.S. Johnson and J.A. Russell. Circular 79. Oklahoma Geological Survey.
- Krukowski, Stanley T. and Johnson, Kenneth S. *Iodine*. Industrial Minerals & Rocks 7th ed. (2006): Pages 541-551.
- USGS (U.S. Geological Survey). 1997-2006. Iodine. Minerals Commodity Service.
- Roskill Information Services, Ltd., 2005. The Economics of Iodine.
- Johnson, K.S. and W.R. Gerber, 1999. Iodine geology and extraction in northwestern Oklahoma. Pages 73-79 in the *Proceedings of the 34th Forum on the Geology of Industrial Minerals*. Edited by K.D. Johnson. Circular 102. Oklahoma Geological Survey.
- Lauterbach, A., G. Ober, S. Rios, W. Basinger, and A. Shipp, 2001. *Iodine, High Performance Chemistry*, Santiago, Chile: SQM S.A.
- Fukuta, O., S. Nagata, and N. Fujii. 1982. Iodine from the Niigata dissolved dry gas producing area, Japan. *Industrial Minerals* 180:69-79.
- Hamel, B. 2003. Iodine. *Mining Engineering* 55(6):34.
- Harben, P.W., and M. Kuzvart. 1996. Iodine. Pages 212-216 in *Industrial Minerals: A Global Geology*. London: Industrial Minerals Information.
- Johnson, K.S. 1989. Geologic evolution of the Anadarko Basin. Pages 3-12 in *Proceedings of the Anadarko Basin Symposium, 1988*. Edited by K.S. Johnson. Circular 90. Oklahoma Geological Survey.
1994. Iodine. Pages 583-588 in *Industrial Minerals and Rocks*. 6th edition. Edited by D.D. Carr. Littleton, CO: SME.
- Johnson, K.S., and W.R. Gerber. 1999. Iodine geology and extraction in northwestern Oklahoma. Pages 73-79 in *Proceedings of the 34th Forum on the Geology of Industrial Minerals*. Edited by K.S. Johnson. Circular 102. Oklahoma Geological Survey.
- Levine, R.M. 1995. The mineral industry of Russia. Pages 1-10 in *Minerals Yearbook 1995*. Volume III, Area Reports: International. Reston, VA: USGS.
1996. The mineral industry of Turkmenistan. Pages 1-7 in *Minerals Yearbook 1996*. Volume III, Area Reports: International. Reston, VA: USGS.
- 1997a. The mineral industry of Azerbaijan. Pages E1-E4 in *Minerals Yearbook 1997*. Volume III, Area Reports: International. Reston, VA: USGS.
- 1997b. The mineral industry of Turkmenistan. Pages QQ1-QQ5 in *Minerals Yearbook 1997*. Volume III, Area Reports: International. Reston, VA: USGS.
1999. The mineral industry of Turkmenistan. Pages 43.1-43.3 in *Minerals Yearbook 1999*. Volume III, Area Reports: International. Reston, VA: USGS.
- Lyday, P.A. 1985. Iodine. Pages 377-384 in *Mineral Facts and Problems, 1985*. Bulletin 675. Washington, DC: USBM.
1986. Crude iodine production. *Industrial Minerals* 222:65-76.
1988. Iodine. Pages 479-482 in *Minerals Yearbook 1988*. Volume I, Metals and Minerals. Washington, DC: USBM.

1999. Iodine and iodine compounds. *Ullman's Encyclopedia of Industrial Chemistry*. 6th edition. New York: Wiley-VCH Publishers.

2000. Iodine. Pages 84-85 in *Mineral Commodity Summaries, January 2000*. Reston, VA: USGS.

2002. Iodine. Pages 38.1-38.6 in *Minerals Yearbook 2002*. Volume 1, Metals and Minerals. Reston, VA: USGS.

2003. Iodine. Pages 85-86 in *Mineral Commodity Summaries 2003*. Reston, VA: USGS.

2004. Iodine. Pages 83-84 in *Mineral Commodity Summaries 2004*. Reston, VA: USGS.

USGS (U.S. Geological Survey). 1998. Iodine. *Mineral Industry Surveys 1997*. Annual Review. Reston, VA: USGS.

Wu, J.C. 1985. The mineral industry of Japan. Pages 491-516 in *Minerals Yearbook 1985*. Volume III, Area Reports: International

Lynday, P.A. 1986. Crude Iodine Production. *Industrial Minerals* 222:65-76.

U.S. Department of Justice, Drug Enforcement Agency, FR Doc E7-12736 [Federal Register: July 2, 2007 (Volume 72, Number 126)] [Rules and Regulations] [Page 35920-35931]

Yasuyuki Muramatsu, Udo Fehn and Satoshi Yoshida 2001. *Earth and Planetary Science Letter* 192 (2001) 583-593

Epa.gov 2007-08. www.epa.gov/pesticides/factsheets/iodomethane_fs.htm,

Sqm.com 2007. www.sqm.com

Unep.org 2007. http://www.unep.org/ozone/Information_for_the_Parties/Decisions/Dec_ExI_4-3/australia.pdf & <http://ucanr.org/delivers/impactview.cfm.impactnum=106>

Wikipedia.org 2007. <http://en.wikipedia.org/wiki/Iodine>

Iodine.com 2007 <http://www.iodine.com/>

Hschem.com 2007. <http://www.hschem.com/>

Gasukai.co.jp 2007. <http://www.gasukai.co.jp/english/terms.html>

Atacama.com 2007. <http://www.atacama.com>

Isechem.co 2007. <http://www.isechem.co.jp/>

Npckk.co.jp 2007. <http://www.npckk.co.jp>

Arysta-na.com 2007. <http://www.arysta-na.com/press/press-10-08-07.html>

Tohoearthtech.co.jp 2007. <http://www.tohoearthtech.co.jp/>

Arystalifescience.com 2007 <http://www.arystalifescience.com>

Ajay-sqm.com 2007. <http://www.ajay-sqm.com/>

Toyota-tsusho.com 2007. <http://www.toyota-tsusho.com>

M-kagaku.co.jp 2007. http://www.m-kagaku.co.jp/index_en.htm

Kimiafarma.com 2007. <http://www.kimiafarma.co.id/>

Teikokuoil.co.jp 2007. <http://www.teikokuoil.co.jp/eteiseki/index.html>

Inpex.co.jp 2007. <http://www.inpex.co.jp/english/index.html>

Sumitomo-chem.co.jp 2007. <http://www.sumitomo-chem.co.jp/english/>

Troycorp.com 2007. <http://www.troycorp.com/>

Deepwaterchemicals.com 2007. <http://www.deepwaterchemicals.com/>

Godoshigen.co.jp 2007. <http://www.godoshigen.co.jp/english/>

Zhongdaseaweed.com 2007. <http://www.zhongdaseaweed.com/>

Westagro.com 2007. <http://www.westagro.com/>

Cooperchemical.com 2007. <http://www.cooperchemical.com/>

Intisoid.com 2007. <http://www.intisoid.com/>

Samratpharmachem.com 2007 <http://www.samratpharmachem.com/>

PART IV

SECTION A

ACCOUNTANTS' REPORT ON THE GROUP



The Directors
Iofina Plc
82 St. John Street
LONDON
EC1M 4JN

Grant Thornton UK LLP
Gatwick Office
The Explorer Building
Fleming Way
Crawley RH10 9GT
T +44 (0)1293 554130
F +44 (0)1293 554135
www.grant-thornton.co.uk

2 May 2008

Dear Sirs

Iofina plc (“the Company”) and its subsidiary undertakings (together “the Group”)

We report on the financial information set out in Part IV Section B of the AIM admission document dated 2 May 2008 of the Company (“the Admission Document”) (“the Financial Information”). This Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in pages 102 to 105 of the Financial Information.

Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in Admission Document.

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the Financial Information and in accordance with the applicable financial reporting framework.

It is our responsibility to form an opinion on the Financial Information as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in the accounting policies and in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

Chartered Accountants

Member firm of Grant Thornton International Ltd

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP

A list of members is available from our registered office.

SECTION B

FINANCIAL INFORMATION ON THE GROUP

Principal Accounting Policies

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

Statement of compliance

The consolidated Historical Financial Information (HFI) has 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 this consolidated HFI.

Basis of preparation of financial statements

The consolidated HFI is presented in GB pounds sterling and have been prepared on the historical cost basis.

The Group has prepared its financial information under International Financial Reporting Standards as adopted by the European Union. The preparation of financial statements, in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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.

The Directors are of the opinion that the Group has sufficient cash to enable it to remain a going concern for at least the next twelve months.

Basis of consolidation

The consolidated HFI incorporates the financial information of the Company and its subsidiaries made up to 31 December 2007. 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 information of subsidiaries are included in the HFI 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 information, unless the losses provide an indication of impairment of the assets transferred.

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

Foreign currency

The Group and Company prepares their financial statements in GB 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 actual rate. 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 (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

Iofina plc is domiciled in England and Wales, which is its primary economic environment and the Company's functional currency is GB Pounds. 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 GB Pounds, management has elected to continue to present the consolidated financial information of the Group in GB Pounds.

Items included in the financial information 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 presentation currency.

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 such 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 receivables and prepayments

Trade and other receivables are not interest bearing and are initially recognized at fair value, which is considered to be the lower of original invoice amount and recoverable amount, thereafter; they are carried at amortised cost using the effective interest method. 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 receivable. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

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

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.

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 equity entry on the recognition of the expense for equity-settled share-based payments.
- "Foreign currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Profit and loss reserve" represents retained profits or accumulated losses as relevant.

Trade and other payables

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

Taxation

Current tax is the tax currently payable based on taxable profit for the year and deferred tax.

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 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.

Charges 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 (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Convertible loan notes

The Group's convertible loan notes were recorded initially at fair value, net of direct issue costs, and were subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, were charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The convertible loan notes were considered as financial liabilities representing obligations to pay cash or other financial assets.

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.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Significant Judgements and Estimates

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

- a) **Intangible assets** – Intangible assets are tested for impairment annually. 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.

IOFINA PLC

CONSOLIDATED INCOME STATEMENTS

		<i>15 March 2005 to 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>Year ended 31 December 2007</i>
	<i>Note</i>	<i>£</i>	<i>£</i>	<i>£</i>
Continuing operations				
Revenue		–	–	–
Cost of sales		–	–	–
		<hr/>	<hr/>	<hr/>
Gross loss		–	–	–
Administrative expenses		–	(162,877)	(400,329)
Finance income	4	–	6,228	10,420
Finance expense	4	–	(29,295)	(4,519)
		<hr/>	<hr/>	<hr/>
Loss before taxation	2	–	(185,944)	(394,428)
Taxation	5	–	–	–
		<hr/>	<hr/>	<hr/>
Loss for the year attributable to shareholders		–	(185,944)	(394,428)
		<hr/>	<hr/>	<hr/>
Basic and diluted loss per share (pence)	6	nil	0.37	0.65

IOFINA PLC

CONSOLIDATED BALANCE SHEETS

		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>Note</i>	<i>£</i>	<i>£</i>	<i>£</i>
Assets				
Intangible assets	7	–	166,069	200,002
Total non-current assets		–	166,069	200,002
Other receivables and prepayments	9	–	66,967	3,922
Cash and cash equivalents	10	–	138,295	1,319,281
Total current assets		–	205,262	1,323,203
Total assets		–	371,331	1,523,205
Liabilities				
Trade and other payables	11	–	401,507	231,275
Total current liabilities		–	401,507	231,275
Equity				
Issued share capital	13	–	196,000	221,205
Share premium	14	–	–	1,685,233
Share-based payment reserve	15	–	–	20,025
Accumulated losses		–	(185,944)	(580,372)
Foreign currency reserve		–	(40,232)	(54,161)
Total equity		–	(30,176)	1,291,930
Total equity and liabilities		–	371,331	1,523,205

IOFINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<i>Share capital</i>	<i>Share Premium</i>	<i>Share-based payment reserve</i>	<i>Retained loss</i>	<i>Foreign currency reserve</i>	<i>Total equity</i>
	£	£	£	£	£	£
Balance at 15 March 2005	–	–	–	–	–	–
Loss for the period	–	–	–	–	–	–
New share capital subscribed	–	–	–	–	–	–
Balance at 31 December 2005	–	–	–	–	–	–
Loss for the year	–	–	–	(185,944)	–	(185,944)
Currency translation adjustment	–	–	–	–	(40,232)	(40,232)
Net income/(expense) recognised directly in equity	–	–	–	–	(40,232)	(40,232)
Total recognised income and expense of the year	–	–	–	(185,944)	(40,232)	(226,176)
New share capital subscribed	196,000	–	–	–	–	196,000
Balance at 31 December 2006	196,000	–	–	(185,944)	(40,232)	(30,176)
Loss for the year	–	–	–	(394,428)	–	(394,428)
Currency translation adjustment	–	–	–	–	(13,929)	(13,929)
Net income/(expense) recognised directly in equity	–	–	–	–	(13,929)	(13,929)
Total recognised income and expense for the year	–	–	–	(394,428)	(13,929)	(408,357)
New share capital subscribed	25,205	1,685,233	–	–	–	1,710,438
Share-based payment reserve	–	–	20,025	–	–	20,025
Balance at 31 December 2007	221,205	1,685,233	20,025	(580,372)	(54,161)	1,291,930

IOFINA PLC

CONSOLIDATED CASH FLOW STATEMENTS

	<i>15 March 2005 to 31 December 2005 £</i>	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2007 £</i>
Cash flows from operating activities			
Loss after taxation	–	(185,944)	(394,428)
Adjustments for:			
Investment Income	–	(6,228)	(10,420)
Interest expense	–	29,295	4,519
Currency translation adjustment	–	(40,232)	(13,929)
	–	(203,109)	(414,258)
Decrease/(Increase) in other receivables and prepayments	–	(66,967)	63,045
Increase in trade and other payables	–	56,733	174,542
Cash used in operations	–	(213,343)	(176,671)
Interest paid	–	(29,295)	(4,519)
Net cash outflow from operating activities	–	(242,638)	(181,190)
Cash flows from investing activities			
Interest received	–	6,228	10,420
Acquisition of intangible assets	–	(166,069)	(33,933)
Net cash outflow from investing activities	–	(159,841)	(23,513)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	–	196,000	1,487,914
Cost of issue of ordinary share capital paid	–	–	(102,225)
Proceeds from the issue of convertible loan notes	–	344,774	–
Net cash inflow from financing activities	–	540,774	1,385,689
Net increase in cash and cash equivalents	–	138,295	1,180,986
Cash and cash equivalents at beginning of year	–	–	138,295
Cash and cash equivalents at end of year	–	138,295	1,319,281

IOFINA PLC

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Segment reporting

- a. **Business segments** – The Group’s only business segment is the exploration for, and development of, natural gas and associated iodine in certain areas of the USA. Business segments are the primary segments of the Group as products and services represent the predominant source and nature of risks and returns.
- 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 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. There was no Group turnover in the year.

	<i>31 December</i> 2005 £	<i>31 December</i> 2006 £	<i>31 December</i> 2007 £
Total assets			
UK	–	93,641	1,374,800
USA	–	277,690	148,405
Total	–	371,331	1,523,205
Capital expenditure on intangibles			
UK	–	–	–
USA	–	166,069	33,933
Total	–	166,069	33,933

2. Loss before taxation

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

	<i>15 March</i> 2005 to 31 December 2005 £	<i>Year ended</i> 31 December 2006 £	<i>Year ended</i> 31 December 2007 £
Fees payable to the Company’s auditor for:			
the audit of the Company’s financial statements	–	6,000	12,750
the audit of the Company’s subsidiaries pursuant to legislation	–	–	–
Other services provided by auditors	–	12,285	28,000
Foreign exchange gain	–	(39,610)	(11,263)
Share based payments	–	–	20,025

Other services provided by the auditor in 2007 and 2006 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.

3. Staff numbers and costs

The Group had no employees during the year (2006: Nil, 2005: Nil) and no remuneration was paid to directors for their services during the year (2006: £nil, 2005: £nil).

4. Finance income and expense

	<i>15 March 2005 to 31 December 2005 £</i>	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2007 £</i>
Interest income	–	6,228	10,420
Interest expense – convertible loan notes	–	(29,295)	(4,519)

5. Taxation

Factors affecting the tax charge for the current year

The tax credit for the year is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK – 30 per cent. (2006 30 per cent., 2005 30 per cent.). The differences are explained below:

	<i>15 March 2005 to 31 December 2005 £</i>	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2007 £</i>
Tax reconciliation:			
Loss on ordinary activities before tax	–	(185,944)	(394,428)
Tax at 30% (2005: 30%)	–	(55,783)	(118,329)
Effects (at 30%) of :			
Tax losses carried forward	–	55,783	118,329
	–	–	–

Factors that may affect future tax charges

The Group has tax losses of approximately £580,000 (31 December 2006 £185,000, 31 December 2005 £nil) 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 recognized due to uncertainty over recovery of these tax losses.

6. Loss per share

The calculation of loss per ordinary share is based on loss before tax of £394,428 (2006: £185,944, 2005: £nil) and the weighted average number of ordinary shares outstanding of 60,993,406 (2006: 50,181,375, 2005: 6). The warrants are not dilutive due to the loss during the period and there is, therefore, no difference between the diluted loss per share and the basic loss per share.

7. Intangible assets

	<i>Deferred exploration costs</i>
	£
Cost	
Balance at 15 March 2005	–
Additions	–
Balance at 31 December 2005	–
Additions	166,069
Balance at 31 December 2006	166,069
Additions	33,933
Balance at 31 December 2007	200,002
Accumulated amortization	
At 31 December 2006 and at 31 December 2007	–
Carrying amounts	
At 31 December 2005	–
At 31 December 2006	166,069
At 31 December 2007	200,002

Deferred exploration costs primarily relate to the costs of acquiring leases to explore, drill and produce oil and gas in certain areas of Montana.

8. Subsidiary undertakings

	<i>Country of Incorporation and operation</i>	<i>Iofina plc Principal activity</i>	<i>Interest 2007</i>
Iofina Inc	United States	Holding company	100%
Iofina Natural Gas Inc	United States	Exploration	100%
Iofina Chemical Inc	United States	Dormant	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.

9. Other receivables and prepayments

	<i>31 December 2005</i>	<i>31 December 2006</i>	<i>31 December 2007</i>
	£	£	£
Other receivables	–	66,967	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 are no receivables that are past due.

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

10. Cash and cash equivalents

	<i>31 December</i> 2005	<i>31 December</i> 2006	<i>31 December</i> 2007
	£	£	£
Cash at bank	–	138,295	1,319,281

11. Other payables

	<i>31 December</i> 2005	<i>31 December</i> 2006	<i>31 December</i> 2007
	£	£	£
Trade payables	–	20,938	58,099
Convertible loan notes	–	344,774	–
Accrued expenses and deferred income	–	35,795	173,176
	–	401,507	231,275

The convertible loan notes accrued interest at the rate of 10 per cent. per annum. The principal and interest became due and payable on the first anniversary of the issue of the loan notes and by agreement the principal amounts of the loan notes were converted into ordinary shares of £0.01 each at a conversion price of £0.25 per share on 12 July 2007.

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.

12. 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.

Interest rate risk

Surplus funds are invested at floating rates of interest. The benefit of fixing rates 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 does not have any hedge contracts on foreign currency.

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 GB Pounds at the closing rate are as follows:

	2005		2006		2007	
	USD	GBP	USD	GBP	USD	GBP
Financial Assets	–	–	218,563	111,620	511,067	255,993
Financial Liabilities	–	–	9,061	4,628	8,706	4,361

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 GB Pound were up (down) 10

per cent. 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 £43,083 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, liquidity risk is considered minimal.

Commodity risk

The Group is exposed to movements in the price of natural gas and its byproducts, which may affect the viability of a project. Given that there were no sales of commodities during the year 2007, the Group was not exposed to any commodity risk.

Fair values

The fair values reflect the carrying amounts shown in the balance sheet.

13. Share capital

		<i>31 December 2005</i>	<i>31 December 2006</i>	<i>31 December 2007</i>
Authorised:				
Ordinary shares of 1/3p each (2006 and 2005: £0.01 each)	– number of shares	10,000,000	1,000,000,000	3,000,000,000
	– nominal value	<u>£100,000</u>	<u>£10,000,000</u>	<u>£10,000,000</u>
Allotted, called up and fully paid:				
Ordinary shares of 1/3p each (2006 and 2005: £0.01 each)	– number of shares	2	19,600,002	66,361,569
	– nominal value	<u>–</u>	<u>£196,000</u>	<u>£199,085</u>
Total called up share capital:				
Ordinary shares of 1/3p each (2006 and 2005: £0.01 each)	– number of shares	2	19,600,002	66,361,569
	– nominal value	<u>–</u>	<u>£196,000</u>	<u>£199,085</u>

During the period ended 31 December 2005 2 subscriber shares were issued at nominal value for cash consideration. In the year ended 31 December 2006, 19,600,000 shares were issued at their nominal value for a cash consideration of £196,000. In July 2007, the Company issued 1,330,045 shares on conversion of its convertible loan notes at a conversion price of 25p per share.

On 9 November 2007, the shareholders approved a three for one stock split that increased the number of authorised shares from 1,000,000,000 to 3,000,000,000 and the number of allotted and called up shares from 20,930,047 to 62,790,141. The stock split included a change in the nominal value of each ordinary share from 1.00 pence to one third of one pence (0.33 pence).

Also, in the year ended 31 December 2007, the Company raised £1,500,000 less expenses of £102,225 by placing 3,571,428 ordinary 1/3p shares with financial institutions at a price of 42p per share. In addition, 178,571 warrants were issued to Mirabaud Securities the placing agent, exercisable over a three year period at a price of 42p.

14. Share-premium account

	£
As at 31 December 2005	–
As at 31 December 2006	–
Premium on allotments during the year	1,807,483
Expenses of share issues	(122,250)
As at 31 December 2007	<u>1,685,233</u>

15. Share-based payments

During the period ended 31 December 2007, the Company issued 178,571 warrants to Mirabaud Securities Limited, exercisable over a three year period at a price of 42p. The warrants may be exercised at any time before 21 November 2010. No warrants were exercised during the period.

Because the Group was unable to measure the value of services received in exchange for the warrants, the fair value of the warrants was calculated using the Black-Scholes pricing model

The inputs were as follows:

Number of warrants granted	178,571
Share price at date of grant	42 p
Exercise price	42 p
Expected Life (Years)	3.00
Risk-free rate	4.46%
Expected Volatility	31.0%
Fair value of warrant granted	11.3p
Fair value of all warrants granted	£20,025

Expected volatility was determined based on the historic volatility of comparable companies. The Group recognized a total of £20,025 (2006 and 2005: £nil) related to equity-settled share-based payment transactions during the year.

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

	2007	
	<i>Number of warrants</i>	<i>WAEP £</i>
Outstanding at the beginning of the year	–	–
Issued during the year	178,571	0.42
Exercised during the year	–	–
Forfeited during the year	–	–
Expired during the year	–	–
Outstanding at the end of the year	<u>178,571</u>	<u>0.42</u>
Exercisable at the end of the year	<u>178,571</u>	<u>0.42</u>

There were no warrants granted in prior years.

16. Related party transactions

In August 2006, the group advanced an amount of £52,333 (\$102,500 USD) to P E Mendell in connection with matters relating to his resignation as a director. This amount, together with interest thereon of £4,194 (\$8,390 USD) was paid to the Company in 2007.

The Group provided no compensation or benefits to directors and key executives during 2007, 2006 or 2005.

17. Post balance sheet events

In January 2008, the group entered into an operating lease for office space. At the balance sheet date, the minimum payments are £37,251 for the next 12 months, and £74,971 for the remaining life of the lease. There are no non-cancellable subleases in place and the lease contains no significant lease arrangements that require disclosure.

PART V

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated and registered as a public limited company in England and Wales under the 1985 Act on 15 March 2005 with the name Commodore Resources plc and with registered number 05393357. On 8 February 2006 the Company changed its name to Iofina plc and on 24 February 2006 the Company changed its name to Iofina Natural Gas plc. The Company adopted its current name, Iofina plc, on 12 November 2007.
- 1.2 The Company is a public limited company and accordingly the liability of its members is limited. The Company and its activities and operations are principally regulated by the Acts and the regulations made under the Acts.
- 1.3 The head office of the Company is at 8480 East Orchard Road, Suite 3600, Greenwood Village, Colorado 80111. The Company's registered office is at 82 St. John Street, London EC1M 4JN, and the telephone number of the Company at that address is +44(0) 20 3006 3135.

2. Share capital and loan capital

- 2.1 The following alterations to the Company's share capital have taken place since its incorporation when 2 subscriber shares were issued:
- (a) on 29 January 2006, 19,600,000 Ordinary Shares were issued for cash at par to management and various investors;
 - (b) on 12 July 2007, the Company converted US\$675,000 of 10 per cent. convertible bridge notes into, in aggregate, 1,330,045 Ordinary Shares based on a price per Ordinary Share of 25p and on the US\$/£ exchange rate prevailing on that date;
 - (c) pursuant to a resolution of the Company passed on 9 November 2007, each of the issued and authorised Ordinary Shares was sub-divided into three Old Shares;
 - (d) on 28 November 2007, the Company issued 3,571,428 Old Shares for cash to various institutional investors pursuant to a placing of shares at a price of 42p per Old Share;
 - (e) on 28 November 2007, the Company issued 178,571 warrants entitling the holders to subscribe for one Old Share for each warrant held at an exercise price of 42p each. The warrants may be exercised at any time on or before 21 November 2010; and
 - (f) on 6 March 2008, the Company made a bonus issue of two Old Shares for every one Old Share to Shareholders on the register of members immediately before the passing of the resolution, followed by an immediate consolidation of every three Old Shares into one Ordinary Share.
- 2.2 The Company has agreed to issue on Admission 227,273 and 1,372,727 warrants to subscribe Ordinary Shares to Strand Partners and Mirabaud respectively, further details of which are set out in paragraph 10(h) below.
- 2.3 As at 31 December 2006, the authorised and issued share capital of the Company, of which all of the issued shares were fully paid up, was as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
ordinary shares of 1p each	1,000,000,000	£10,000,000	19,600,002	£196,000.02

- 2.4 As at 31 December 2007, being the latest date to which audited accounts for the Company have been prepared, the authorised and issued share capital of the Company, of which all of the issued shares were fully paid up, was as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
ordinary shares of 1/3p each	3,000,000,000	£10,000,000	66,361,569	£199,084.71

- 2.5 The authorised and issued share capital of the Company, of which all of the issued shares will be fully paid up on or before Admission, as it is expected to be immediately following Admission is as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
ordinary shares of 1p each	1,000,000,000	£10,000,000	93,816,114	£938,161.14

- 2.6 Details of the total number of options (all granted for nil consideration) under the Share Option Scheme which have been granted conditional upon Admission are as follows:

<i>Date of grant</i>	<i>Number of Ordinary Shares</i>		<i>Exercise price (p)</i>
	<i>under option</i>		
1 May 2008	300,000		55

All of the above options will vest in equal monthly tranches over three years commencing one month after the date of grant.

- 2.7 Pursuant to an ordinary resolution of the Company passed on 6 March 2008, the Directors are generally and unconditionally authorised pursuant to section 80 of the 1985 Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount equivalent to the authorised and unissued share capital of the Company, such authority to be limited to the allotment of relevant securities having an aggregate nominal value equal to £1,200,000, provided that, subject to Admission and the Placing, such authority is limited to the lesser of £750,000 and one third of the of the issued Ordinary Share capital immediately following Admission and the Placing, such authority to expire upon the conclusion of the Annual General Meeting of the Company to be held in 2009, except that the Directors can during the period make offers or arrangements which could or might require the allotment of relevant securities after the expiry of such period.
- 2.8 Pursuant to a special resolution of the Company passed on 6 March 2008, the Directors are empowered pursuant to section 95(1) of the 1985 Act to allot equity securities (as defined in section 94(2) of the 1985 Act) of the Company wholly for cash pursuant to the authority of the Directors under section 80 of the 1985 Act conferred by the ordinary resolution referred to in paragraph 2.7 above for the duration of such authority, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the 1985 Act, as if the provisions of section 89(1) of the 1985 Act did not apply to such allotment provided that this power is limited to:
- the allotment of equity securities in connection with an invitation or offer of equity securities to the Shareholders (excluding any shares held by the Company as treasury shares (as defined in section 162A(3) of the 1985 Act)) in proportion (as nearly as practicable) to their respective holdings of such shares or in accordance with the rights attached to such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and
 - the allotment (other than pursuant to the power referred to in sub-paragraph (a) above) of equity securities up to an aggregate nominal value equal to £540,000, provided that such power is limited to such amount as represents the lesser of £540,000 and 10 per cent. of the aggregate

nominal Ordinary Share capital as is in issue immediately following Admission and the Placing,

and the Company may, prior to the expiry of such power make any offer or agreement which requires or might require equity securities to be allotted after the expiry of such period.

- 2.9 The provisions of section 89(1) of the 1985 Act (to the extent not disapplied pursuant to section 95 of the 1985 Act) confer on the Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the 1985 Act) which are, or are to be, paid up wholly in cash and apply to the authorised but unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 2.8 above.
- 2.10 Of the balance of the authorised but unissued share capital of the Company immediately following Admission, amounting to 906,183,886 Ordinary Shares:
- (a) 300,000 Ordinary Shares will be reserved for issue under the Share Option Scheme;
 - (b) 1,600,000 Ordinary Shares will be reserved for issue on exercise of the Warrants;
 - (c) 31,272,038 Ordinary Shares, representing approximately 33.3 per cent. of the issued share capital of the Company immediately following the Placing, will remain unissued and unreserved which the Directors will be authorised to allot pursuant to the authority referred to in paragraph 2.7 above; and
 - (d) 873,011,848 Ordinary Shares will remain unissued and unreserved.
- 2.11 Save as mentioned in this paragraph 2:
- (a) no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (b) there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
 - (c) there are no outstanding convertible securities issued by the Company; and
 - (d) no share capital or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries) is in issue and no such issue is proposed.
- 2.12 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.
- 2.13 Save as disclosed in this document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.
- 2.14 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 16 May 2008. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00B2QL5C79.
- 2.15 The Placing Price of 55 pence per Ordinary Share represents a premium of 54 pence over the nominal value of 1p per Ordinary Share and is payable in full on Admission under the terms of the Placing.

3. Subsidiary undertakings

- 3.1 The Company is the holding company of the Group.

3.2 The Company currently has the following significant subsidiaries:

<i>Name</i>	<i>Status</i>	<i>Place of incorporation</i>	<i>Percentage of voting share capital held</i>
Iofina, Inc.	Corporation	Colorado, USA	100
Iofina Natural Gas, Inc.	Corporation	Colorado, USA	100
Iofina Chemical, Inc.	Corporation	Colorado, USA	100

4. Summary of the Memorandum and Articles of Association of the Company

4.1 *Memorandum of Association*

The Memorandum of Association of the Company provides that the object of the Company is to carry on business as a general commercial company. The powers of the Company are set out in full in clause 4 of the Memorandum of Association.

4.2 *Articles of Association*

The Articles, which were adopted by a special resolution of the Company passed on 9 November 2007, contain, *inter alia*, provisions to the following effect:

(a) *Rights attaching to Ordinary Shares*

(i) **Voting rights**

Subject to the provisions of the Acts and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who is present in person or by proxy or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder. A member of the Company shall not be entitled, in respect of any share held by him, to vote (either personally or by proxy) at any general meeting of the Company unless all amounts payable by him in respect of that share in the Company have been paid or credited as having been paid;

(ii) **Dividends**

Subject to the provisions of the Acts and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the financial position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of ordinary shares the right to elect to receive ordinary shares credited as fully paid instead of cash in respect of all or part of any dividend. Any dividend unclaimed after a period of 12 years from the date on which the dividend became due for payment shall be forfeited and shall revert to the Company.

(iii) **Return of capital**

On a winding-up of the Company, the surplus of assets available for distribution shall be divided among the members in proportion to the amounts paid up on their respective shares at the commencement of the winding-up or, with the sanction of a special resolution of the Company, be divided amongst the members *in specie* in such manner as shall be determined by the liquidator.

(b) *Transfer of shares*

Save in the case of shares which have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instrument, all transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of share;
- (iv) it is in favour of a single transferee or not more than four joint transferees;
- (v) it is duly stamped (if required); and
- (vi) it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

provided that the Board may not exercise such discretion in such a way as to prevent dealing from taking place on an open and proper basis.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of an uncertificated share which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations (subject to any relevant requirements of the London Stock Exchange).

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

(c) *Disclosure of interests in shares*

The provisions of rule 5 of the Disclosure and Transparency Rules govern the circumstances in which a person may be required to disclose his interests in the share capital of the Company. *Inter alia*, this requires a person who is interested in 3 per cent. or more of the voting rights in respect of the Company's issued ordinary share capital to notify his interest to the Company (and above that level, any change in such interest equal to 1 per cent. or more).

Pursuant to the Articles, if a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the 2006 Act and has failed in relation to any shares (the "default shares") to give the Company the information thereby required within the prescribed period from the date of the notice, the following sanctions shall apply:

- (i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (ii) where the default shares represent at least 0.25 per cent. in nominal value of their class:
 - (A) any dividend or other money payable in respect of the shares shall be withheld by the Company which shall not have any obligation to pay interest on it and the

member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and

- (B) no transfer, other than an approved transfer as defined in the Articles pursuant to a takeover offer of the Company or a *bona fide* sale to an unconnected third party, of any shares held by the member shall be registered unless:
- the member is not himself in default as regards supplying the information required; and
 - the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in the Company issued in respect of the default shares (whether on capitalisation, a rights issue or otherwise).

(d) *Changes in share capital*

The Company may alter its share capital as follows:

- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;
- (ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
- (iii) subject to the provisions of the Acts and to any rights for the time being attached to any shares, it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

(e) *Variation of rights*

Subject to the provisions of the Acts and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

(f) *General meetings*

Pursuant to the 2006 Act, an annual general meeting is required to be held every year at such time and place as may be determined by the Board. The Board may convene other general meetings whenever it thinks fit. General meetings may also be convened on the requisition of members pursuant to the 2006 Act.

Pursuant to the 2006 Act, 21 clear days' notice of every annual general meeting and 14 clear days' notice of every general meeting is required to be given. The accidental omission to give notice to, or the non-receipt of such notice by, any person entitled to receive notice of the meeting will not invalidate any resolution passed or proceeding at any such meeting.

No business may be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business. Two persons entitled to attend and vote on the business

to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, constitutes a quorum.

With the consent of any meeting at which a quorum is present the chairman may adjourn the meeting. No business may be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

(g) *Directors' interests in contracts*

Subject to the provisions of the Acts and of the Articles and provided that he has disclosed to the Board the nature and extent of any interest of his, a director, notwithstanding his office:

- (i) may be party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (ii) may hold any other office or place of profit under the Company and may act in a professional capacity for the Company provided that no director or firm in which he is interested may act as auditor to any member of the Group;
- (iii) may be a member of, a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested; and
- (iv) shall not, by reason of his office, be liable to account to the Company for any benefit which he derives from any such office, employment, transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be avoided on the ground of any such interest or benefit,

Save as provided below, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or any committee of the Board in respect of any contract, arrangement, transaction or any proposal whatsoever in which he has any material interest or duty which conflicts with the interests of the Company. A director shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- (iv) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing 1 per cent. or more of any class of the equity share capital, or the voting rights, in such company;
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

A director may not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested (including fixing or varying the terms of such appointment or its termination).

Where proposals are under consideration concerning the appointments (including fixing or varying the terms of the appointment) of two or more directors, such proposals may be divided and a separate resolution considered in relation to each director. In each case, each such director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

(h) *Directors*

The aggregate fees which the directors shall be entitled to receive for their services in the office of director shall not exceed £200,000 per annum, or such other sum as may from time to time be determined by an ordinary resolution of the Company. Such sum (unless otherwise directed by the resolution of the Company by which it is approved) shall be divided among the directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

All of the directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as directors. If by arrangement with the Board any director performs any special duties or services outside his ordinary duties as a director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.

(i) *Pensions and benefits*

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for any person who is or who has at any time been a director of the Company (and for any member of his family including a spouse or former spouse or any person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

(j) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertakings, property, assets (present or future) and uncalled capital and, subject to the provisions of the Acts, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

5. Directors and employees

5.1 The Directors and each of their respective functions are set out in Part I of this document.

5.2 The business address of the Directors is 8480 East Orchard Road, Suite 3600, Greenwood Village, Colorado 80111.

5.3 Details of the length of service of each of the Directors to date in their current office are set out below:

<i>Name</i>	<i>Age</i>	<i>Commencement date in office</i>
Jeffrey P. Ploen	59	28 February 2006
Lance J. Baller	34	28 February 2006
Dr. David J. Schneider	44	22 October 2007
Dr. Christopher E. Fay CBE	62	1 April 2008

5.4 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which each of the Directors is or was in the last five years a member in addition to their directorships of the Company and its subsidiary undertakings are set out below:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Jeffrey P. Ploen	J. Paul Consulting Momentum Biofuels Inc.	Cheyenne Resources Entropin, Inc Navidec Corporation (BPZ Energy, Inc.) Paradigm Holdings, Inc Petro Uno Resources, LTD Tonga Capital Corporation
Lance J. Baller	Baller Enterprises, Inc Giant 5 Funds Masi Technologies, LLC Net Ads International, Inc Shortline Equity Partners, Inc The Elevation Fund, LLC Ultimate Investments Corp	Eagle: XM, Inc Elevation Capital Management, LLC Lakeview Village, Inc. Palmdale Park, Inc.
Dr. David J. Schneider	Castle Bluff Estates, LLC DMCC, Inc EBN Granite, Inc SAT, Inc Schneider Homes, Inc SFRE, LLC	H&S Chemical Co, Inc WAT, Inc
Dr. Christopher E. Fay CBE	Anglo American plc Conister Financial Group plc Expro International Group plc Stena International Sarl	ACBE (Government Advisory Committee on Business and the Environment) BAA plc Stena Drilling Ltd. The Weir Group plc Tuscan Energy Group Ltd

5.5 Save as disclosed in paragraph 5.6 below, at the date of this document none of the Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- 5.6 Mr. Ploen filed for bankruptcy on 27 February 1991 and was discharged on 7 August 1991 by the US Bankruptcy Court for the District of Colorado. Mr. Ploen filed for bankruptcy as a result of the Internal Revenue Service (the “IRS”) assessing him for significant taxes and penalties due to disallowance of certain tax shelter deductions in previous years’ tax returns. No amounts are owing by Mr. Ploen to the IRS in connection with such filing.
- 5.7 As at the financial year ended 31 December 2007 the Company had no employees.

6. Directors’ and other interests

- 6.1 The voting rights held (within the meaning of rule 5 of the Disclosure and Transparency Rules), directly or indirectly, by the Directors in the issued share capital of the Company as at the date of this document and as they are expected to be prior to and immediately following Admission are/will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares (as at the date of this document)</i>	<i>Percentage of issued Ordinary Shares (as at the date of this document)</i>	<i>Number of Ordinary Shares (as at the date of Admission)</i>	<i>Percentage of issued Ordinary Shares (as at the date of Admission)</i>
Jeffrey P. Ploen ¹	9,440,000	14.20	9,440,000	10.06
Lance J. Baller ²	9,000,000	13.56	9,000,000	9.59
Dr. David J. Schneider ³	7,500,000	11.30	7,500,000	7.99
Dr. Christopher E. Fay CBE	1,500,000	2.26	1,500,000	1.60

Notes

- (1) Includes 8,240,000 shares owned by Mr. Ploen and 1,200,000 owned by J Paul Consulting in which Mr. Ploen is the sole beneficial owner.
- (2) Includes 9,000,000 shares held by Ultimate Investments Corp. in which Mr. Baller is the sole beneficial owner.
- (3) Includes 1,500,000 shares owned by Dr. Schneider individually and 6,000,000 shares held by Dr. Schneider’s wife Julie Schneider.

- 6.2 Details of the total number of options granted to the Directors under the Share Option Scheme outstanding (which have been granted conditional upon Admission) are as follows:

<i>Name</i>	<i>Date of grant</i>	<i>Exercise price per Ordinary Share (p)</i>	<i>Number of Ordinary Shares under option</i>
Dr Christopher E. Fay CBE	1 May 2008	55	100,000

The above options will vest in equal monthly tranches over three years commencing one month after the date of grant.

- 6.3 Save as disclosed above, none of the Directors nor any member of his immediate family or any person connected with him (within the meaning of section 252 of the 2006 Act) holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.
- 6.4 In addition to the interests of the Directors set out in paragraphs 6.1 to 6.3 above, as at 1 May 2008 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the following persons were, or will at Admission be, holding voting rights (within the meaning of rule 5 of the Disclosure and Transparency Rules) in 3 per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares (as at the date of this document)</i>	<i>Percentage of issued Ordinary Shares (as at the date of this document)</i>	<i>Number of Ordinary Shares (as at the date of Admission)</i>	<i>Percentage of issued Ordinary Shares (as at the date of Admission)</i>
Paul Ethan Mendell	8,000,000	12.06	8,000,000	8.53
J.P. Morgan Asset Management	–	–	4,950,000	5.28
Blackrock Investment Management UK Ltd	–	–	4,545,000	4.84
Stena Investment International Sarl	–	–	4,545,000	4.84
John Nuttall	4,250,000	6.40	4,250,000	4.53
Kingsley Wilson	3,750,000	5.27	3,750,000	4.00
St. Peter's Port Capital	2,380,952	3.59	2,380,952	2.54

- 6.5 Save as disclosed above, there are no persons, so far as the Company is aware, who are or will be immediately following Admission holding voting rights (within the meaning of rule 5 of the Disclosure and Transparency Rules) in 3 per cent. or more of the Company's issued share capital, nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 6.6 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.
- 6.7 The Company's share capital consists of one class of ordinary shares with equal voting rights (subject to the Articles). No major Shareholder of the Company has any different voting rights from the other Shareholders.
- 6.8 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Group during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 6.9 There are no outstanding loans or guarantees provided by the Company or the Group or to or for the benefit of any of the Directors.
- 6.10 Save as disclosed in this document the Company has not entered into any related party transactions of the kind set out in the Standards adopted according to the Regulation (EC) No 1606/2002.
- 6.11 No Director nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the 2006 Act) has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

7. Directors' remuneration and service agreements

Executive Directors

Dr. David Schneider

- 7.1 Dr. Schneider is employed as president and chief executive officer of the Group pursuant to the terms of service agreements with each of the Company and Iofina Natural Gas, Inc.

The service agreement with the Company is terminable by either party on not less than 12 months' written notice. Mr. Schneider is paid a basic annual salary of £6,250. His basic salary is subject to annual review by the Remuneration Committee. Mr. Schneider is subject to certain non-competition and non-solicitation covenants for a period of six months following the termination of his employment. The agreement is governed by English law.

The service agreement with Iofina Natural Gas, Inc is for a fixed term of three years from 1 January 2008 and is for a rolling period of 12 months thereafter. Mr. Schneider is paid a basic salary of \$150,000 for the current year and is entitled to receive a bonus of up to \$111,000 in the current year in the event that the Group achieves certain performance objectives. The basic salary and bonus are subject to annual review by the Remuneration Committee. Mr. Schneider receives car allowance of \$500 per month and is entitled to \$1,000 insurance reimbursement per year. Mr. Schneider is subject to certain non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by Kentucky law.

Lance J. Baller

- 7.2 Mr. Baller is employed as the Group's Finance Director pursuant to the terms of service agreements with the Company and Iofina Natural Gas, Inc.

The service agreement with the Company is terminable by either party on not less than 12 months' written notice. Mr. Baller is paid a basic annual salary of £6,250. His basic salary is subject to annual review by the Remuneration Committee. Mr. Baller is subject to certain non-competition and non-solicitation covenants for a period of six months following the termination of his employment. The agreement is governed by English law.

The service agreement with Iofina Natural Gas, Inc is for a fixed term of three years from 1 January 2008 and is for a rolling period of 12 months thereafter. Mr. Baller is paid a basic salary of \$150,000 for the current year and is entitled to receive a bonus of up to \$111,000 for the current year in the event that the Group achieves certain performance objectives. The basic salary and bonus are subject to annual review by the Remuneration Committee. Mr. Baller receives car allowance of \$500 per month and is entitled to \$1,000 insurance reimbursement per year. Mr. Baller is subject to certain non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by Colorado law.

Non-Executive Directors

Jeff P. Ploen

- 7.3 Pursuant to the terms of a letter of engagement with the Company dated 1 May 2008, Mr. Ploen has agreed to serve as a Non-executive Chairman for an annual fee of £25,000. This appointment may be terminated by either party giving not less than three months' written notice and will terminate automatically if Mr. Ploen is removed from office by a resolution of the Shareholders or is not re-elected to office.

Christopher E. Fay

- 7.4 Pursuant to the terms of a letter of engagement with the Company dated 1 April 2008, Dr. Fay has agreed to serve as a Non-executive Director for an annual fee of £25,000. This appointment may be terminated by either party giving not less than three months' written notice and will terminate automatically if Dr. Fay is removed from office by a resolution of the Shareholders or is not re-elected to office.
- 7.5 Save as disclosed in this document, there are no service agreements or agreements for the provision of services existing or proposed between the Directors and the Company or the Group.
- 7.6 In the financial year ended 31 December 2007 (being the last completed financial year of the Company) the aggregate remuneration paid, including pension contributions and benefits in kind granted to the Directors, was nil.
- 7.7 On the basis of the arrangements in force at the date of this document, it is estimated that the aggregate remuneration payable including pension contributions, the maximum bonus payable and benefits in kind granted to the Directors for the year ending 31 December 2008 (being the current financial year of the Company) will be approximately £330,000.

8. The Share Option Scheme

The Share Option Scheme was approved by the shareholders at the AGM held on 6 March 2008 and adopted by the Board on behalf of the Company at its meeting on 1 May 2008. Unapproved options over 300,000 Ordinary Shares have been granted to Dr. Christopher Fay and two employees of the Group conditional upon Admission. The exercise price per Ordinary Share of the unapproved options is the Placing Price.

8.1 *Purpose*

The 2008 Iofina plc Share Option Scheme has been established to encourage employees (including directors) of and consultants to the Group (“**Eligible Persons**”) to acquire Ordinary Shares. The Board believes that the Share Option Scheme will serve the interests of the Company and Shareholders because it allows Eligible Persons to have a greater personal financial interest in the Company through ownership of, or the right to acquire its Ordinary Shares, which in turn will stimulate their efforts on the Company’s behalf, and maintain and strengthen their desire to remain with the Company. It is believed that the Share Option Scheme will also assist in the recruitment of suitably qualified employees, directors (including non-executive directors) and consultants. Employees (including executive and non-executive directors) will be permitted to receive grants of share options under the Share Option Scheme. Consultants are only eligible to receive share purchase awards (described in further detail below). Participants in the Share Option Scheme will be US or UK tax resident. Unless otherwise defined in this section, capitalised terms shall have the meaning specified in the Share Option Scheme rules.

8.2 *Administration*

The Share Option Scheme shall be administered by the Remuneration Committee (the “Committee”). The Committee shall be responsible for the administration of the Share Option Scheme including, without limitation, determining which Eligible Persons receive awards, the types of awards they receive under the Share Option Scheme, the number of Ordinary Shares covered by awards granted under the Share Option Scheme, and the other terms and conditions of such awards. The Share Option Scheme is a discretionary plan under which the Committee has authority to determine who shall be invited to participate in the Share Option Scheme, the form, amount and timing of awards, the terms and provisions of awards and the documents evidencing awards. The Committee will be required to comply with the overall headroom limit and the individual limits on the value of awards specified in the Share Option Scheme.

The Committee shall have the responsibility for construing and interpreting the Share Option Scheme, including the right to construe disputed or doubtful Share Option Scheme provisions, and for establishing, amending and construing such rules and regulations as it may deem necessary or desirable for the proper administration of the Share Option Scheme. Any decision or action taken or to be taken by the Committee, arising out of or in connection with the construction, administration, interpretation and effect of the Share Option Scheme and of its rules and regulations, shall, to the maximum extent permitted by applicable law, be within its absolute discretion (except as otherwise specifically provided in the Share Option Scheme rules) and shall be final, binding and conclusive upon the Company, all Eligible Persons and any person claiming under or through any Eligible Person.

8.3 *Eligibility*

(a) *Employees*

Full-time and part-time employees employed by the Group, including officers, whether or not directors of the Company (“**Employees**”), shall be eligible to participate in the Share Option Scheme if designated by the Committee (“**Eligible Employees**”).

(b) *Non-employees*

Consultants may be invited to subscribe for Ordinary Shares under a share purchase agreement in the form prescribed by the Share Option Scheme. However, consultants are not permitted to receive a grant of a share option under the Share Option Scheme, unless they are non-executive directors of the Company.

(c) *No right to continued employment*

Nothing in the Share Option Scheme shall interfere with or limit in any way the right of the Company or its subsidiaries to terminate the employment of any participant at any time, nor confer upon any participant the right to continue in the employment of the Company, its parent, its subsidiaries, its affiliates or its joint ventures.

8.4 *Term of the Share Option Scheme*

The Share Option Scheme was adopted on behalf of the Company by resolution of the Board on 1 May 2008 following shareholders' approval of the Share Option Scheme at the AGM held on 6 March 2008. No award shall be granted under the Share Option Scheme on or after the tenth anniversary of the shareholders' approval, but the term and exercise of incentives granted prior to the tenth anniversary may extend beyond that date.

8.5 *Awards*

Awards under the Share Option Scheme may take the form of (a) Incentive Stock Options ("**ISO**"), (b) Options ("**Unapproved Options**") and (c) Share Purchase Awards ("**Share Purchase Awards**") (collectively "**Awards**"). ISO are subject to a favourable tax regime under US law. All Awards shall be subject to the terms and conditions set forth in the Share Option Scheme and to such other terms and conditions as may be established by the Committee.

8.6 *Shares Available for Awards*

(a) *Shares available*

Subject to the Committee's right of adjustment in the event of a variation of the Company's share capital, the maximum number of Ordinary Shares that may be issued under the Share Option Scheme is the lower of 9,000,000 or 10 per cent. of the Company's issued ordinary share capital at the date of the Admission. Any Ordinary Shares under this Share Option Scheme that are not purchased or allotted under an Award that has lapsed, expired, terminated or been cancelled, may be used for the further grant of Awards under the Share Option Scheme. Ordinary Shares under this Share Option Scheme may be delivered by the Company from its authorised but unissued Ordinary Shares or from treasury shares, or both.

(b) *Limit on an individual's awards*

In any calendar year, no Eligible Employee may receive (i) any Awards if such person owns more than 10 per cent. of the stock of the Company within the meaning of Section 422 of the US Internal Revenue Code (the "**Code**"), or (ii) an ISO, whose aggregate fair market value exceeds \$100,000, determined as at the date of grant. The maximum value of Unapproved Options that can be granted to any Eligible Employee in any calendar year must not exceed two times annual basic salary (excluding bonuses and benefits in kind).

(c) *Adjustment of awards*

In the event of a variation of the Company's ordinary share capital, the Committee shall make such adjustments, if any, as it may deem appropriate in (i) the number of Ordinary Shares available to be issued under the Share Option Scheme, (ii) the number of Ordinary Shares subject to outstanding Awards and (iii) the Exercise Price of Awards. Any such determination shall be final, binding and conclusive on all parties, save that the Committee must obtain the consent of the holders of ISO to adjustments that would adversely affect the ISO status of such

options. If the Company goes into liquidation or is wound-up or if there is a sale of substantially all of the assets of the Company, the Company may, to the extent permitted by applicable law, but otherwise in its sole discretion, provide for the continuation, replacement or cancellation of outstanding Awards, as deemed appropriate by the Committee in the circumstances of the applicable transaction.

8.7 *Share Options*

The Committee may grant ISO as defined in Section 422 of the Code, and options other than ISO (“**Unapproved Options**”) (collectively “**Share Options**”). Such Share Options shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe:

(a) *Exercise Price*

The exercise price per Ordinary Share with respect to Share Options shall be determined by the Committee, but shall not be less than 100 per cent. of the fair market value of the Ordinary Shares on the date the Share Option is granted, which shall be the mid-market closing price of an Ordinary Share on the last trading day immediately prior to the date of grant.

(b) *Period of Share Option*

The period of each Share Option shall be fixed by the Committee, but shall not exceed ten years from grant. In the event of an optionholder’s death prior to the expiry of an Unapproved Option, such Unapproved Option may, if the Committee so determines, be exercised by the optionholder’s personal representatives for up to one year after the date of death.

(c) *Exercise of Share Option and payment*

No Ordinary Shares shall be issued until the Exercise Price has been paid in full. The Exercise Price may be paid in cash or under a cashless exercise facility if the Company provides such a facility.

(d) *First exercisable date*

The Committee shall determine how and when Share Options may be exercised. Share Options will vest in equal monthly tranches in arrears over the three years from the date of grant.

(e) *Termination of employment*

Unless determined otherwise by the Committee in its discretion, upon the termination of an optionholder’s employment (for any reason other than gross misconduct or voluntary resignation), Share Options may only be exercised in respect of the Ordinary Shares that have vested at the date of such termination. The Committee shall have discretion to determine that any unvested Share Options will become exercisable in accordance with a schedule determined by the Committee. Such Share Options shall expire unless exercised within the period prescribed by the Committee, but in no event later than the tenth anniversary of grant of the Share Option.

(f) *Termination due to misconduct*

If an optionholder’s employment is terminated for gross misconduct, as determined by the Company, all rights under the Share Option shall expire upon the date of such termination, unless the Committee determines otherwise in its discretion.

(g) *Limits on ISO*

Except as may otherwise be permitted by the Code, an Eligible Employee may not receive a grant of an ISO that would have an aggregate fair market value in excess of \$100,000 (or such other amount as the US Internal Revenue Service may decide from time to time), determined as at the date of grant.

8.8 *Share Purchase Award*

The Committee may invite Eligible Persons to purchase Ordinary Shares on the terms specified in a share purchase agreement.

(a) *Requirement of employment*

A recipient of a Share Purchase Award must remain in the employment of the Company (or, if applicable, remain a Consultant) during a period designated by the Committee (“**Vesting Period**”) in order to retain the Ordinary Shares under the Share Purchase Award. If the Award holder’s employment, directorship or consultancy ends prior to the end of the Vesting Period, the Award holder will forfeit the unvested Ordinary Shares.

(b) *Restrictions on transfer and legend on share certificates*

During the Vesting Period, the Award holder may not sell, assign, transfer, pledge or otherwise dispose of the Ordinary Shares. Each certificate for the Ordinary Shares issued under the Share Purchase Award shall contain a legend giving appropriate notice of the restrictions applicable to the Award.

(c) *Escrow*

Following their issue, all share certificates for the Ordinary Shares issued in satisfaction of Share Purchase Awards shall be deposited in escrow with the Company to be held in accordance with the provisions of the Share Option Scheme.

(d) *Lapse of restrictions*

All restrictions imposed under the Share Purchase Award shall lapse upon the expiry of the Vesting Period if the conditions as to employment referred to above have been met. The Award holder shall then be entitled to have the legend removed from the certificates. The Committee may establish rules and procedures to permit an Award holder to defer recognition of income under US law upon the expiry of the Vesting Period.

(e) *Dividends*

Any dividends declared on the Ordinary Shares during the Vesting Period shall be paid to the Award holder.

8.9 *Transferability*

Each ISO granted under the Share Option Scheme shall not be transferable other than by will or the laws of succession; other Awards granted under the Share Option Scheme will not be transferable or assignable by the recipient, and may not be made subject to execution, attachment or similar procedures, other than by will or the laws of succession or as determined by the Committee in accordance with regulations promulgated under the Securities Exchange Act of 1934, or any other applicable law or regulation. However, the Committee, in its discretion, may permit the transfer, solely as gifts during the grantee’s lifetime, of Unapproved Options to members of a grantee’s immediate family or to trusts, family partnerships or similar entities for the benefit of such immediate family members. For this purpose, immediate family member means the grantee’s spouse, parent, child, stepchild, grandchild, child-in-law, step-parent, grandparent, parent-in-law, sibling and sibling-in-law. The terms of a Share Option shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the optionholder.

8.10 *Amendment and Termination of the Share Option Scheme*

The Board of directors may amend, suspend or terminate the Share Option Scheme at any time and for any reason. Unless approved by the Company’s shareholders in general meeting or as otherwise specifically provided under this Share Option Scheme, no amendment to the material advantage of participants in the Share Option Scheme may be made to the provisions governing the definition of

“Eligible Person”, the overall limit on the number of Ordinary Shares available for the grant of Awards, the individual limits on Awards or the basis of determining participant’s entitlement and for adjusting the same in the event of any variation in the Company’s share capital.

8.11 *No Constraint on Corporate Action*

Nothing in the Share Option Scheme shall be construed to limit, impair or otherwise affect the Company’s right or power to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell or transfer all or any part of its business or assets.

8.12 *Withholding Taxes*

The Company shall be entitled to deduct from any payment under the Share Option Scheme, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the Eligible Employee to pay to it such tax prior to and as a condition of the making of such payment. In accordance with any applicable administrative guidelines it establishes, the Committee may allow an Eligible Employee to pay the amount of taxes required by law to be withheld from an Award by cheque or by withholding from any payment of Ordinary Shares due as a result of such Award.

8.13 *Governing Law*

The Share Option Scheme, and all agreements hereunder, shall be construed in accordance with and governed by the laws of England.

9. Taxation

The following statements are intended only as a general guide current as at 1 May 2008 (being the latest practicable date prior to publication of this document) to United Kingdom tax legislation and to the current practice of the HMRC and may not apply to certain categories of shareholder, such as dealers in securities or trustees of certain types of trusts. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

9.1 *Stamp Duty*

Save in relation to depository receipt arrangements or clearance services, where special rules apply:

- (a) no charge to stamp duty or stamp duty reserve tax (“SDRT”) should arise on the issue of new Ordinary Shares pursuant to the Placing or on their registration in the names of applicants;
- (b) a subsequent transfer on sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, ordinarily at the rate of 0.5 per cent., of the amount or value of the consideration. An agreement to purchase Ordinary Shares will lead to a charge to SDRT (at the rate of 0.5 per cent. of the amount of value of the consideration) although any liability to SDRT will be cancelled or payment refunded if the instrument of transfer is duly stamped within six years of such agreement (or, where such agreement is conditional, within six years of such agreement becoming unconditional); and
- (c) special rules apply to market intermediaries, dealers and certain other persons. Transfers of shares to charities will not give rise to stamp duty if adjudicated in accordance with the relevant legislation and agreements to transfer shares to charities will not give rise to SDRT.

9.2 *Dividends*

The United Kingdom taxation implications relevant to the receipt of dividends on the new Ordinary Shares are as follows:

There is no United Kingdom withholding tax on dividends. UK resident individual holders of new Ordinary Shares will be taxable on the total of the dividend and the related notional tax credit (“gross dividend”), which will be regarded as the top slice of the individual’s income.

The tax notional credit on dividends is one-ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and tax credit). For UK tax resident individuals, the income tax rates on dividend income are such that basic rate taxpayers will have no further tax liability on a dividend receipt. Higher rate taxpayers pay tax on dividends at 32.5 per cent. so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability.

Generally, holders of new Ordinary Shares will no longer be entitled to reclaim the tax credit attaching to any dividends paid.

Subject to certain exceptions for traders in securities, a holder of new Ordinary Shares which is a company resident for tax purposes in the United Kingdom and which receives a dividend will not generally have to pay corporation tax in respect of it.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends received by them.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their new Ordinary Shares under the tax law of their country of residence or in respect of other transactions relating to the shares. Such shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative. Entitlement to claim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident. Non-UK resident shareholders should consult their own tax advisers concerning their tax liability on dividends received; what relief, credit or entitlement to refund of any tax credits may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the new Ordinary Shares.

9.3 *Disposal of shares acquired under the Placing*

A Shareholder resident or ordinarily resident for tax purposes in the UK, who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal.

The UK government has announced plans to abolish the indexation allowance and taper relief on the disposal of the shares by individuals on or after 6 April 2008. After this time it is proposed that a flat rate of capital gains tax at 18 per cent. will apply to all disposals subject to the availability of Entrepreneurs relief. Full details on the proposed changes to the capital gains tax regime have not yet been enacted and are therefore still subject to change. Individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such Ordinary Shares are to have been used, held or acquired for the purposes of such trade or branch or agency. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during

that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

10. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (i) within the period of two years immediately preceding the date of this document and which are, or may be, material or (ii) which contain any provision under which any member of the Group has an obligation or entitlement to the Group as at the date of this document:

- (a) An Iodine Recovery Agreement dated 11 June 2007 between Iofina Chemical, Inc (“IC”) (1) and H&S Chemical Co, Inc (“H&S”) (2), pursuant to which H&S granted IC a worldwide, fully paid and royalty free licence (the “Licence”) to use certain wellhead extraction technology for separating iodine from water produced by natural gas wells (the “Technology”). H&S will also provide IC with technical assistance in connection with the use of the Technology.

The agreement provides that IC will pay for a prototype wellhead separator, such payment not to exceed US\$100,000, and that it will accumulate mineral rights in North Central Montana and produce enough water from the wells situated thereon that at least 50 tons of iodine can be produced for the year starting 1 January 2008.

With effect from 1 January 2008, the first 250 tons of pure iodine produced by IC will be sold to H&S (the “Required Iodine”) and IC shall make a further 250 tons of pure iodine available which H&S shall have a first option to purchase (the “Option Iodine”). The price payable by H&S for the Required Iodine will range between 75 per cent. to 90 per cent. of the market price (as defined in the agreement).

H&S retains ownership of the Technology and the Licence shall be exclusive to IC unless IC either discontinues the use of the technology for more than one year or fails to deliver to H&S certain minimum amounts of pure iodine in each calendar year.

The term of the agreement is 10 years from 11 June 2007 unless it is terminated earlier by a party due to the failure of the other party to comply with any material obligations as set out in the agreement within 60 days of notice by the other party. In addition, H&S has the right to terminate the agreement in certain circumstances as set out in the agreement, including the obligation to provide H&S with certain minimum amounts of crude iodine in each calendar year.

- (b) Pursuant to various oil and gas leases, Iofina Natural Gas, Inc. has acquired from various landowners the right to explore, drill and produce oil and all gases, including iodine, and to build or use wells, pipelines and other structures on the land.

In consideration of the lease of the land, Iofina Natural Gas, Inc agrees to pay to the relevant lessor a royalty of 12.5 per cent. of the market price in respect of all gas produced on the premises and a royalty of 3 per cent. of the gross amount received by the Group which derives from the production of iodine on the premises. The term of each lease is five years or as long thereafter as oil or gas of whatever nature is produced on the premises.

- (c) A placing agreement dated 28 November 2007 and made between the Company (1), each of Jeffrey Ploen, David Schneider and Lance J. Baller (2) and Mirabaud (3) pursuant to which Mirabaud acted

as agent for the Company and procured placees to subscribe for, in aggregate, 3,571,428 Old Shares at a placing price of 42p per Old Share (the “November Placing”).

This agreement contained warranties from the Company and the Directors in favour of Mirabaud in relation to, *inter alia*, the accuracy of the information in a presentation to institutional investors and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Mirabaud in respect of certain liabilities it may incur in respect of the November Placing.

- (d) A warrant agreement dated 28 November 2007 pursuant to which the Company granted to Mirabaud 178,571 warrants to subscribe at any time prior to 21 November 2010 for one Ordinary Share for each warrant held at a subscription price of 42p per Ordinary Share.
- (e) The Placing Agreement dated 2 May 2008 and made between (1) the Company (2) the Directors (3) Strand Partners and (4) Mirabaud pursuant to which Mirabaud has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure Placees to subscribe for the Placing Shares at the Placing Price.

The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 9 May 2008 (or such later date as the Company, Strand Partners and Mirabaud may agree, being not later than 8.00 a.m. on 22 May 2008). The Placing Agreement contains warranties from the Company and the Directors in favour of Strand Partners and Mirabaud in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Strand Partners and Mirabaud in respect of certain liabilities they may incur in respect of the Placing. Strand Partners and Mirabaud have the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties.

Under the Placing Agreement and subject to it becoming unconditional and not being terminated in accordance with its terms, the Company has agreed to pay (i) Strand Partners a corporate finance fee of £225,000 of which £100,000 will be applied by Strand Partners to subscribe for 181,818 Placing Shares at the Placing Price in the Placing and (ii) Mirabaud a commission of 5 per cent. on the value at the Placing Price of the Placing Shares, together in each case with any applicable VAT. Additionally, the Company has agreed to pay all of Strand Partners’ and Mirabaud’s costs and expenses (including any applicable VAT) of the Placing. The Company has also agreed to issue warrants to Strand Partners and Mirabaud to subscribe for Ordinary Shares, further details of which are set out in paragraph (h) below.

- (f) A nominated adviser letter (the “Nomad Letter”) dated 2 May 2008 from Strand Partners to the Company setting out the terms of Strand Partners’ appointment to act as nominated adviser to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Strand Partners a fee of £30,000 plus VAT per annum for its services as nominated adviser. The Nomad Letter contains certain undertakings, warranties and indemnities given by the Company to Strand Partners. The agreement is for a fixed term of 12 months and thereafter is terminable upon not less than 30 days’ prior written notice by either the Company or Strand Partners.
- (g) A broker agreement (the “Broker Agreement”) dated 2 May 2008 and made between (1) the Company, (2) the Directors and (3) Mirabaud pursuant to which the Company has appointed Mirabaud to act as broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Mirabaud a fee of £20,000 plus VAT per annum for its services as broker. The Broker Agreement contains certain undertakings from the Company and the Directors and indemnities given by the Company to Mirabaud. The Broker Agreement is for a fixed term of 12 months and thereafter is terminable upon not less than three months’ prior written notice by either the Company or Mirabaud.
- (h) A warrant instrument dated 2 May 2008 and executed by the Company creating warrants which give the right to subscribe Ordinary Shares at a subscription price and on the terms set out in such instrument. Pursuant to a board resolution passed on 1 May 2008, the Board resolved to issue,

conditional upon Admission, warrants to subscribe an aggregate of 1,600,000 Ordinary Shares at the Placing Price at any time between the date of issue and the date falling on the third anniversary of Admission, of which warrants to subscribe 227,273 Ordinary Shares were issued to Strand Partners and warrants to subscribe 1,372,727 Ordinary Shares were issued to Mirabaud.

- (i) Lock-in and orderly market agreements dated 2 May 2008 and made between the Company (1), Strand Partners (2), Mirabaud (3) and certain existing Shareholders (including all Related Parties and Applicable Employees (as such terms are defined in the AIM Rules for Companies)), (the “Locked-in Persons”) (4) pursuant to which each of the Locked-in Persons who hold in aggregate 58,560,000 Ordinary Shares) have undertaken to the Company, Strand Partners and Mirabaud (subject to certain limited exceptions including transfers to related parties or to trustees for their benefit, disposals by way of acceptance of a takeover offer for the entire issued share capital of the Company, disposals pursuant to a court order and, if applicable, the death of the Locked-in Person)) not to dispose of the Ordinary Shares held by each of them following Admission or any other securities in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to the first anniversary of Admission. In addition, certain of the Locked-in Persons (who hold in aggregate 45,040,000 Ordinary Shares) have agreed for a further period of 12 months to only dispose of an interest in Ordinary Shares with the prior written consent of Strand Partners and Mirabaud and provided such disposal is effected through the Company’s broker and in accordance with orderly market principles.
- (j) An assignment and bill of sale dated 2 January 2008, as amended by a corrective assignment and bill of sale dated 28 March 2008, pursuant to which Jeffrey Ploen assigned and transferred to Iofina Natural Gas, Inc. a four mile right of way for a gas pipeline, any pipeline laid in such right of way and four pilot wells located in Hill County, Montana, USA. The consideration paid to Mr. Ploen was US\$1,500.

11. Working capital

In the opinion of the Directors having made due and careful enquiry, taking into account the net proceeds of the Placing, the working capital available to the Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

12. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Company and/or the Group nor, so far as the Company is aware, are any such proceedings pending or threatened.

13. Consents

- 13.1 Strand Partners Limited of 26 Mount Row, London W1K 3SQ is authorised and regulated in the United Kingdom by the Financial Services Authority. Strand Partners has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.
- 13.2 Mirabaud Securities Limited of 21 St. James’s Square, London SW1Y 4JP is authorised and regulated in the United Kingdom by the Financial Services Authority. Mirabaud has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the reference to it in the form and context in which it appears.
- 13.3 Grant Thornton UK LLP, Chartered Accountants and registered auditors, of Grant Thornton House, Melton Street, London NW1 2EP, have given and have not withdrawn their written consent to the issue of this document with the inclusion of their name and their report in Part IV of this document and the references to such report and their name, in the form and context in which they appear.

- 13.4 MHA Petroleum Consultants, Inc. of Suite 190, 14142 Denver West Pky, Lakewood, CO 80401, United States has given and not withdrawn its written consent to the issue of the is document with the inclusion of its name and its report in Section A of Part III of this document and the references to such report and the its name in the form and context in which they appear.
- 13.5 Armour Associates Ltd of 185 Haywood Knolls Drive, Henderson, NC 28791 has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and its report in Section B of Part III of this document and the references to such report and its name in the form and context in which they appear.

14. General

- 14.1 Save as described in the paragraph headed “Current trading and prospects of the Group” in Part I of this document, there has been no significant change in the financial or trading position of the Company since 31 December 2007, being the end of the period to which the latest audited consolidated accounts of the Company relate.
- 14.2 The net proceeds of the Placing are expected to be approximately £13.7 million net of expenses of the Placing which are estimated at £1.4 million, excluding VAT, and are payable by the Company.
- 14.3 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (a) fees totalling £10,000 or more;
 - (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 14.4 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.5 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company’s activities.
- 14.6 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group’s utilisation of its tangible fixed assets.
- 14.7 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company’s prospects for the current financial year.
- 14.8 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.
- 14.9 Save for the Licence and as otherwise disclosed in this document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company’s business or profitability.
- 14.10 Although the Company is incorporated in England and Wales, the place of central management of the Company is to be located outside the UK, Channel Islands or Isle of Man and the main place of business of the Company is in the United States of America. Board meetings are to be held outside the UK, Channel Islands or Isle of Man and the majority of the Board are resident outside the UK, Channel Islands or Isle of Man. Accordingly, as the Company is one to which paragraph 3(a)(ii) of

the Introduction to the Takeover Code applies, the Takeover Panel (“the Panel”) has confirmed that the Company is not subject to the Takeover Code and Shareholders will not be afforded protections under the Takeover Code.

If further changes are made to the Board the Company will consult the Panel to ascertain whether this will affect the central place of management of the Company. If the Panel determines that, as a result of such changes, the place of the central management of the Company is located in the UK, Channel Islands or Isle of Man such that the Takeover Code then becomes applicable to the Company, an announcement will be made.

- 14.11 The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 979 to 991 of the 2006 Act. Under section 979 of the 2006 Act, where an offeror makes a takeover offer and has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. of the shares to which the offer relates and, in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares, that offeror is entitled to compulsorily acquire the shares of any holder who has not acquired the offer on the terms of the offer.
- 14.12 Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Part 28 of the 2006 Act) for any Old Shares or Ordinary Shares.
- 14.13 The current accounting reference period of the Company will end on 31 December 2008.
- 14.14 The financial information contained in Part IV of this document does not constitute statutory accounts within the meaning of section 240 of the 1985 Act. The auditors for each of the periods ended 31 December 2006 and 31 December 2007 were Grant Thornton UK LLP, Chartered Accountants and registered auditors, of Grant Thornton House, Melton Street, London NW1 2EP. A copy of the audited statutory accounts of the Company for each of the periods ended 31 December 2006 and 31 December 2007 has been delivered to the Registrar of Companies in England and Wales. The auditors’ reports under section 235 of the 1985 Act on those accounts were unqualified and did not contain any statement under section 237 of the 1985 Act.

15. Availability of this document

Copies of this document are available free of charge from the Company’s registered office and at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB , during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and will remain available for at least one month after Admission. This document will also be available for download from the Company’s website at www.iofina.com

Dated 2 May 2008





Iofina plc

Registered Office
82 St John Street
London EC1M 4JN
United Kingdom
+44 (0) 20 3006 3135

Iofina plc

8480 East Orchard Road
Suite 3600
Greenwood Village, Colorado 80111
United States
+44 (0) 20 3006 3135

Iofina, Inc.

8480 East Orchard Road
Suite 3600
Greenwood Village, Colorado 80111
United States
+1 303-495-5849
+1 303-222-1201 fax

Iofina Natural Gas, Inc.

8480 East Orchard Road
Suite 3600
Greenwood Village, Colorado 80111
United States
+1 303-495-5849
+1 303-222-1201 fax

Iofina Chemical, Inc.

Iofina Technical Center
9250 Brookfield Court, Suite 300
Florence, KY 41042
United States
+1 859-795-1820

