7 May 2013

Iofina plc
("Iofina" or the "Group")
(LSE AIM: IOF)

Iofina Reports Audited Full Year Financials
Rapidly increasing Iodine Production in 2013

Iofina, specialists in the exploration and production of iodine, with complete vertical integration into specialty chemical iodine derivatives, is pleased to announce audited Final Results for the year ended 31 December 2012.

KEY OPERATIONAL POINTS (pre-and-post balance sheet):

- Completion of construction and commissioning of the IO#1 and IO#2 iodine extraction plants based on the groups WET® IOsorb™ technology;
- Recent production running between 800-900 kilograms ("kgs") per day with an expected 20-50% uplift once fully optimised, giving an annualised production rate in excess of 300 metric tonnes ("MT") per annum as previously forecasted;
- Average production of 650kgs/ day was recorded in April 2013 which was impaired by well shut-in's from operators due to weather and electrical issues;
- Proven model afforded by WET® with IOsorb™ with iodine recoveries in excess of 90% achieved;
- IO#3 equipment delivered with construction start up in close proximity to IO#2 imminent
- IO#4 is scheduled to start construction shortly after IO#3 to maximise contractors and cost controls by building concurrently;
- IO#5 and IO#6 to follow shortly after;
- Record revenues underline continued strong performance at Iofina Chemical by processing waste iodine as well as the Group's own production;
- Montana permit application on the non-core Atlantis Water Project has been lodged; and
- Discoveries of helium and oil have recently been made on acreage adjacent to Group's Three Forks/Bakken play acreage in Montana.

KEY FINANCIAL POINTS:

- First year of positive EBITDA of $194,849
- Strongest second half in Group history afforded by only a few months of IO#1 production;
- Successful above market Placing raising $6.9m in May 2012;
- Like-for-like losses of $1,131,187 or .92 cents/share (2011: loss of $2,647,871 or 2.59 cents/share)
- Record inventory and receivables due to strong iodine chemical sales in 1H 2013;
- Closing cash position as at 31 December 2012 of $5,694,664;
- Profitability increased substantially as production from the IO#1 and IO#2 in 1H 2013.

Commenting on the Results, Dr Chris Fay, Executive Chairman, stated:

''2012 was a breakthrough year for Iofina not least with the successful start-up of IO#1 with IO#2 following shortly after year end, proving the success of our IOsorb™ technology. Iofina Chemical continued to maintain its reputation for quality iodine derivatives and also commenced processing waste iodine streams. I am encouraged by the skills and enthusiasm of the professional team we have in the Company.''

Iofina announces that the Annual Report and Accounts for the financial year ended 31 December 2012 will be posted to shareholders by the 28 May 2013 with the AGM to be held on the 19 June 2013.

Copies of the report and accounts and the Notice of AGM are available from the Company's registered office at 82 St. John Street, London EC1M 4JN and on the Company's website: www.iofina.com.

About Iofina

Iofina is involved in the exploration and production of iodine, iodine specialty chemical derivatives, produced water and natural gas. Iofina's business strategy is to identify, develop, build, own and operate iodine extraction plants currently focused in North America based on Iofina's WET® IOsorb™ technology. Iofina has iodine production operations in the United States, specifically in Texas, California, Montana, Oklahoma and Wyoming. The Group has complete vertical integration from the production of iodine in the field to the manufacture of the chemical end products derived from iodine to the consumer, and the recycling of iodine using iodinated side-streams from waste chemical processes in Europe, North America and Asia. The Group utilises its portfolio of patented and patent pending technology, proprietary methods, and trademarks throughout all business lines.

For further information, please contact:

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CHAIRMAN'S STATEMENT

Introduction

The period under review was a breakthrough year for Iofina, with the successful installation and start-up of IO#1, its first large scale Iofina Wellhead Extraction Technology® ("WET®") with IOsorb™ plants, and with IO#2 following shortly after the year end. Optimisation of plant configurations has been successfully undertaken for the unique brine conditions. Recent production has been running between 800-900 kilograms ("kgs") per day, giving an annualised production rate in excess of 300 metric tonnes ("MT") per annum, which is 50% higher than previously thought to be achievable despite the plants not being run at full capacity. It is thought that at least a further 20-50% improvement in throughput can be achieved. Of particular note is the impact of temperature and brine source on throughput levels. Average production of 650kgs/day was recorded in April 2013 despite well issue shut-in's from operators due to adverse weather and electrical issues. In this context, IO#2 in Oklahoma, with brine received via direct pipelines from the well sites, is significantly more productive due to its higher temperature, especially in colder winter months, than IO#1, which receives trucked brine from varying well sites at ambient temperature. The start-up of both plants experienced delays, principally due to the extreme cold weather this winter in mid-states USA. Heavy snowfalls of over 75 centimetres impacted all field operators of the Group's third party brine streams as well as its own plant.

WET® IOsorb™ enables the exploitation of high temperature brine streams with little pre-treatment and results in iodine recoveries of up to 97%, being higher than previously expected. Whilst we did not meet our iodine production guidance for the full year in 2012 due to delays in completion of construction of both plants, in our core business we did learn several vital lessons that will enable the Company to grow and deliver significant shareholder value going forward. With the confidence gained in our geology and IOsorb™ technology, 2012 proved that we have a robust business model as we look to roll out many of these plants over the next five years.

Our mid-stream iodine production technology has now matured to a level where we can confidently build several units concurrently for rollout in selected areas. In this context, the IO#3 plant, which has been delivered, has been re-directed from the IO#1 area to the IO#2 area on economic grounds and will now be installed in close proximity to IO#2. IO#4 will also be installed in this area and will start construction three weeks after IO#3, using the same contractors. This is cost effective and more efficient. We plan to install IO#5 in this area as well. We have modified our business plan to focus on targeted geographic regions where the Board sees many plants being built, operated more efficiently, and producing more favourable economics. By moving IO#3 we will have a higher production rate due to a higher temperature from direct well supply. In addition, such is the confidence in our technology, we are finalising the design of smaller mobile satellite IOsorb™ units to deploy where we have lower brine throughputs but high iodine concentrations. These units will deliver iodine intermediately that will then be processed at the nearby larger plants such as IO#1 and IO#2. Specific project teams have been set up to manage the rollout of additional plants and the mobile units. Iofina has in place a broad depth of experienced personnel who have learned greatly from the IO#1 and IO#2 plants and will lead these efforts.

Iofina plans to continue to focus on two of the five targeted geographic locations for a potential full area-wide rollout. Each site is expected to take up to four months from the start of permitting to completion. The Group will seek to continue to add additional mid-stream contracts from oil and gas producers in these core areas.

Iofina Chemical Review

Iofina's entry into the iodine chemical derivatives markets with our strong product offering is proving to be a very successful strategy. In 2012, Iofina Chemical continued its strong year-over-year growth with record sales and profits. A strong second half of 2012 helped to boost these results, with Iodine product sales up over 49% year on year, and this performance has continued in early 2013. Improved sourcing efforts have directly benefitted these results, particularly the global sourcing of alternative iodine streams. Continued sales expansion worldwide has resulted in new markets for Iofina's iodine derivatives. We continue to develop new relationships and strengthen our cooperation with existing customers. R&D efforts remain strong, and the development of new, high-value products put us on a positive path forward.

As part of this strategy, in 2012 we also started processing recycled iodine using iodinated side-streams from waste chemical processes in Europe, North America, and Asia, which contributed to our strong performance. Iofina Chemical is seeing strong demand on all product lines due to our technical abilities and competitive advantages. Iofina Chemical is realising the benefits of increased iodine supply volume from IO#1 and IO#2. Our own iodine production is being processed at our facility in Kentucky along with 5 MT per month of recycled iodine in 2012. Currently, we are looking for another record year as we expand markets, new product offerings, especially high value derivatives, and continued growth in our existing products.

Iofina Chemical continues to invest in our Covington, Kentucky, facility to improve current infrastructure, produce new iodine derivatives, and improve our current process efficiencies and safeguards. As a Chemsteward's® certified facility, we strive for continual improvement and focus on meeting our customers' needs while doing so in a safe and environmentally conscious manner.

Both the addition of the iodine recycling business and much increased production from our mid-stream business in 2013, coupled with the continuing introduction of new products, give confidence for a strong year for Iofina Chemical, and we are expecting another record revenue performance.

Atlantis Water Project

The Board is also looking forward to developments in commercialising our fresh water resource. We were for much of 2012 in extensive, active negotiations with a potential partner until our decision to withdraw from the envisaged joint venture. Plans are now at an advanced stage, currently on a stand-alone basis, to deliver water to the fracking industry in Montana and North Dakota. Sites and letters of intent are in place for water sales use, thereby allowing for the lodging of the water permit application. The Atlantis Water Project represents a significant opportunity for the Group. Receipt of the permit is anticipated in Q3 2013. Some three years of hard endeavour have been put into this project to deliver circa 200,000 barrels/day of water for industrial use.

Interest in the deep Bakken potential under our acreage position in Montana remains available to interested parties. There have been recent new oil field discoveries and a helium find in adjacent acreage. The Group is working hard on monetizing our assets in Montana.

Financing

As indicated in last years' report, the Group successfully placed with institutional shareholders 11,571,300 new ordinary shares of 1p each at a price of 37.5 p per share, raising £4.339 million ($6.9 million) before expenses. The funding allowed for the earlier purchasing of IOsorb™ units and partly offset working capital requirements occasioned by utilising our own iodine production versus bought-in supplies, as well as for lease purchases. Following the placing, the Group has 127,284,398 ordinary shares in issue. The Group has a market capitalisation of £123.5 million on 31 December 2012.

Iodine Outlook

Iodine prices stabilised in 2012, remaining firm between $55-$65/kg for large contract users, and entering Q1 2013 prices have held steady, and Iodine prices will have had the longest period of price stability since 2003. In 2012 one new Chilean mine came online that has stabilised pricing. During the last recessionary period of 2009, iodine prices increased while demand slowed. Iofina believes iodine prices will remain steady throughout the rest of 2013. Even with the anticipated reduction in demand for iodine from more traditional applications, such as disinfectants, due to higher iodine prices iodine consumption is still expected to increase overall, driven by demand from newer applications. The three main sources of increased demand are LCD screens, semiconductor manufacturing, and X-ray contrast media. In addition, some new uses in proprietary applications have further increased demand. Japanese iodine producers have been producing at full capacity since late in the second quarter of 2011 and are unable to bring on any new supply as capacity has been reached. Iofina and Chilean producers are currently able to take advantage of these supply constraints being experienced by the Japanese producers of finite annual capacity and slowly declining volume. Water, energy, and labor issues continue to be the main challenges being faced by the Chilean producers.

Intellectual Property

Iofina has a series of patents pending relating to its technology for capturing iodine from iodine-rich brine wells and converting it into a range of iodine molecules. The Group believes it is important to capture this intellectual property to protect the Group's interests and enhance the overall value of our technology.

Safety and Environmental Sustainability

As a corporate policy, Iofina promotes health, safety, and environmental sustainability in its working practices and seeks to minimise, mitigate, or remedy any harmful effects from the Group's operations on personnel and the environment at each of its operational sites. The successful entry into the iodine recycling business to manage waste streams from chemical, nylon, electronics, and pharmaceuticals manufacturing as mentioned earlier is a good example of our policy in practise. We currently process all the iodine from these sources at our Chemical plant in Kentucky.

Presentational currency change to dollars

The Group and Company have previously prepared their financial statements in Pounds Sterling. For 2012, the Board of Directors have decided to report in U.S. Dollars. The vast majority of the Group's business is in U.S. Dollars, which is the functional currency of the operating subsidiaries. Therefore, U.S. Dollars will be the presentational currency for the Group financial statements going forward. All transactions undertaken by Iofina will be translated from Pounds Sterling to U.S. Dollars.

Outlook

2012 was a highly successful year for the Group, and the Board is envisaging rapid growth in both the short and medium term, not least with the accelerated rollout of the WET® IOsorb™ iodine rich brine iodine extraction plants and the introduction of mobile units. The second half of 2012 was the strongest second half in Group history, afforded by only a few months of IO#1 iodine production. Group profitability has increased substantially with increased production from the IO#1 and IO#2 in 2013. Iofina Chemical is both maintaining and growing its position as a quality supplier of iodine derivative products with the foundations in place to expand. The various non-core opportunities, including the discoveries of helium and oil, have recently been made on acreage adjacent to Group's Three Forks/Bakken play acreage in Montana, and anticipated water sales from Montana, if brought to fruition, may provide additional financial benefits to the Group.

Dr. Chris Fay CBE
Non-Executive Chairman
Iofina plc
7 May 2013

FINANCIAL REVIEW

Iofina reported a loss of $1,131,187 in the year ended 31 December 2012 (2011: loss of $2,647,871). The basic loss per share was 0.92 cents (2011: loss 2.36 cents) and no dividend is being declared.

In 2012, the Group has concentrated efforts on maximizing iodine recovery from the mid-stream business locations. With newer technologies in place for 2012, substantial progress has been made.

At year end the Group had property, plant, and equipment of $10,909,843 (2011: $8,071,536) and deferred exploration costs of $3,146,927 (2011: $3,146,927).

The Group's opening cash position for 2012 was $6,646,335 and the closing position was $5,720,664 a decrease of $925,671 mainly due to the capital investment in the IOSorb plants, offset by the issue of shares in the period.

T Michael Coddington

T M Coddington
Finance Director
Iofina plc
7 May 2013

DIRECTORS' BIOGRAPHIES

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

Dr. Fay is the former Chairman of Expro International Group plc, which was sold for £1.8bn to Candover in 2008. Dr. Fay is currently Chairman and non-executive director of Stena International Sarl and Brightside Group plc. Dr. Fay served as Chairman of the S&SD Committee and a member of the Remuneration and Audit Committees for Anglo-American plc from 1999 to 2010. From 1993 to 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 from 2001 to 2003, senior non-executive director of BAA plc from 1998 to 2006, during which BAA was sold for £10.3 billion to the Ferrovial Consortium, and Chairman of ACBE (Government Advisory Committee on Business and the Environment) from 1999 to 2003 where Dr. Fay championed the launch of the UK's Emission Trading Scheme. Educated at Leeds University where he received a BSc and a PhD in civil engineering, Dr. Fay was awarded a CBE in 1999 for services to the gas and oil industry.

Jeffrey P. Ploen, Non-Executive Deputy Chairman

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

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

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

Stuart M. Eaton, Non-Executive Director (Appointed 14 January 2013)

Mr. Eaton is currently Non-Executive Director of Nighthawk Energy plc, the AIM listed US focused shale oil development and production company. Previous positions include Head of UK Equity Alpha at Insight Investment Management Limited, responsible for the management of UK equity long-only portfolios and a Director of Specialist Benchmark Funds at Newton Investment Management Limited, responsible for managing global segregated pension funds and unit trusts. Furthermore, Stuart was also a portfolio manager at Provident Mutual Life Assurance managing UK equity segregated funds.

Lance J. Baller, Chief Executive Officer and President

Mr. Baller has been the CEO and President of Iofina Plc since his appointment in March 2010. Mr. Baller previously served as the 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 and committees on public policy and social responsibility, while on the board of directors of companies in Asia and the United States. Mr. Baller is also a former vice president of mergers and acquisitions, financing and corporate development at Integrated Biopharma, Inc and prior to this a vice president of the investment banking firms UBS AG and Morgan Stanley. He is the former chairman and a current director of NetAds International, Inc. Mr. Baller is on the board of trustees of Giant 5 Mutual Funds and also serves as the chairman of the audit committee and as the audit committee financial expert under the Sarbanes-Oxley Act of the United States for Giant 5 Funds.

Forest D. Dorn, Executive Director

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

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2012.

Principal activities and review of the business

Iofina plc ("Iofina" or the "Company") is the holding company of a group of companies (the "Group") involved in the exploration and production of iodine with complete vertical integration into the specialty chemical iodine derivatives business. The presence of iodine, water, and natural gas has been discovered on acreages which the Group holds through its wholly owned subsidiary Iofina Resources, Inc, Formerly known as Iofina Natural Gas, Inc. The Group will also co-produce water from this owned production acreage.

Iodine is a rare element that is only produced in a few countries in the world, with over 79 per cent. produced from Chile (58 per cent.) and Japan (21 per cent.). The presence of iodine, water and natural gas allows the Group to generate three potential revenue streams over a single cost structure. Through the Group's wholly owned subsidiary Iofina Chemical, Inc., the Group is vertically integrated into the iodine derivatives market and iodine recycling. Vertical integration through both production, recycling and derivatives results in better margins, while controlling the products' end use.

The Group's proprietary Wellhead Extraction Technology® (WET®) and WET® IOsorb™ methods enable the co-production of iodine from brine. The directors of the Company believe that Iofina's low cost development strategy will provide both excellent margins and reduced revenue volatility. Iofina is one of the first commercial producer's of iodine in Montana, Texas, and Oklahoma and, so far as the directors are aware, the only independent iodine producer in the USA.

Key Performance Indicators

The directors review a range of financial indicators to assess and manage the Group's performance, including the following:

Key performance indicators

	Year ended 31 December 2012 $	**Year ended 31 December 2011 $**
Revenue from sales of iodine and iodine derivatives	16,392,771	10,995,308
Revenue from non iodine products	2,250,537	5,110,251
Total revenue	18,643,308	16,105,559
Cash and cash equivalents at end of year	5,720,664	6,646,335
Ratio of current assets to current liabilities at end of year	8.26	7.32
Total pounds of product shipped	1,152,667	1,273,036
Average number of employees for the year	39	35

Based on the fact that Iofina is a junior exploration and production Group it did not release targets for Key Performance Indicators in either 2012 or 2011.

Principal risks and uncertainties

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

Exploration: Exploration for resources involves significant risk. There is no assurance that commercial quantities of resources can be recovered from the Group's current acreage or that resources will be discovered from the Group's future acreage.

Environmental: The Group's operations are subject to the environmental risks inherent in the exploration industry. The Group is subject to environmental laws and regulations in connection with all of its operations. Although the Group intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances which could expose the Group to extensive liability. Accordingly, the Group promotes wherever possible environmental sustainability in its working practices and seeks to minimise, mitigate or remedy, any harmful effects from the Group's operations on the environment at each of its operational sites.

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

Key customers: There are a limited number of potential customers who purchase many of the products of the Group's chemical business, which makes relationships with these customers, as well as the success of those customers' businesses, critical to the Group's success. The loss of one or more major customer could harm the business, operating results and financial condition of the Group. Iofina is continuing to diversify its customer base in its Chemical subsidiary. In addition Iofina works closely with all its customers to develop strong relationships with a significant focus on ensuring its products and services meet the needs of its customers and are of the highest quality.

Regulation

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

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

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

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income and detailed in the Financial Review.

The directors do not recommend payment of a dividend.

Directors

The directors who served during the year and subsequently were as follows:

Dr. Chris E. Fay CBE, Non-Executive Chairman
Jeffrey P. Ploen, Non-Executive Deputy Chairman
Paul S. Chase-Gardener, Non-Executive Director and Chairman of the Audit Committee
Forest D. Dorn, Executive Director
Lance J. Baller, Chief Executive Officer and President
Stuart M. Eaton, Non-Executive Director, Appointed 14 January 2013

Remuneration provided to each director was as follows:

	2012			2011		
	Salary & benefits $	**Bonus** $	**Total** $	**Salary & benefits** $	**Bonus** $	**Total** $
Dr. Chris E. Fay	71,325	-	71,325	96,240	-	96,240
Jeffrey P. Ploen	49,531	-	49,531	40,100	-	40,100
Paul S. Chase-Gardener	35,663	-	35,663	48,120	-	48,120
Forest D. Dorn	150,000	-	150,000	150,000	-	150,000
Lance J. Baller	200,000	6,000	206,000	200,000	6,000	206,000
Total	506,519	6,000	512,519	534,460	6,000	540,460

No pension contributions were paid on behalf of the directors in the year (2011: nil).

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

	31 December 2012	1 January 2012
Dr. C E Fay	1,230,000	1,230,000
J P Ploen (1)	9,440,000	9,440,000
P S Chase-Gardener (2)	350,000	350,000
F D Dorn	-	-
L J Baller (3)	9,000,000	9,000,000

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

S.M Eaton is beneficially interested in 1,349,761 ordinary shares of 1 pence each.

In addition to these shares, Dr. C E Fay was granted options for 100,000 shares on 9 May 2008 with an exercise price of 55 pence, and 250,000 shares on 2 July 2010 with an exercise price of 30 pence. P S Chase-Gardener was granted options for 100,000 shares on 9 September 2008 with an exercise price of 55 pence. F D Dorn was granted options for 350,000 shares on 2 July 2010 with an exercise price of 30 pence. No other director has any interests in options in the Company.

Going concern

In May 2012, the Company raised $6.9 million (before expenses) of equity funding to pursue opportunities in the mid-stream third party brine operations market. At its current stage of development, the directors consider that the Group does not need to raise additional funds in order to realise its business plan with respect to the Atlantis prospect, mid-stream third party brine operations or specialty chemicals business. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Policy and practice of payment of creditors

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

During the year ended 31 December 2012, the Group, on average, paid its trade creditors within 45 days of receipt of a valid invoice (2011: 45 days).

Post balance sheet events

Following the reporting date, the Group has entered into several contracts with independent oil and gas operators to extract iodine from their brine streams. These deals represent significant new revenue opportunities for the Group.

Directors' responsibilities for the preparation of the financial statements

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Iofina website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Board

L J Baller
Chief Executive Officer and President
7 May 2013

SOCIAL RESPONSIBILITY STATEMENT

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

Code of conduct

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

Equal opportunity and diversity

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

Employee welfare

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

Joint venture partners, contractors and suppliers

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

Operating responsibly and continuous improvement

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

Environmental policy

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

CORPORATE GOVERNANCE STATEMENT

The directors support high standards of corporate governance and acknowledge the importance of the UK Corporate Governance Code and apply its principles so far as is practicable and appropriate given the size of the Group and constitution of the board.

Board structure and committees

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

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

Non-executive directors, with the exception of the Chairman, are appointed on a contract with a three month notice period. The Chairman and the executive directors are appointed on a contract with a twelve month notice period. All directors are subject to re-election. Each year, one third of the directors are subject to re-election by rotation. New directors are subject to re-election at the first AGM after their appointment.

At the year end, the Board comprised the Non-Executive Chairman, the Chief Executive, the Chief Executive of Iofina Resources, and two other non-executive directors.

Remuneration Committee and policy

The Remuneration Committee is composed of three non-executive directors: J P Ploen (Chairman), C E Fay and P S Chase-Gardener. It is responsible for the terms and conditions and remuneration of the executive directors and senior management. The Remuneration Committee's policy is that directors' remuneration be commensurate with services provided by them to the Company. The Remuneration Committee may consult external agencies when ascertaining market salaries. All matters concerning the remuneration of executive directors, including the award of bonuses and share options, are considered by the Remuneration Committee.

The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board. No director or member of the senior management is permitted to participate in discussions or decisions concerning his own remuneration. A member of the Remuneration Committee will be available at the AGM to answer any shareholder questions.

Audit Committee

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

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

Relations with shareholders

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

Internal controls

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

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

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

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

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

On behalf of the Board

Lance J. Baller

L J Baller
Chief Executive Officer and President
7 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOFINA PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 22 to 54. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

PAUL WATTS (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
7 May 2013

IOFINA PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Revenue	3	18,643,308	16,105,559
Cost of sales	4	(15,144,987)	(13,720,303)
Gross profit		3,498,321	2,385,256
Administrative expenses	4	(4,693,184)	(5,218,200)
Finance income	6	12,058	36,015
Loss before taxation	4	(1,182,805)	(2,796,929)
Taxation	7	51,618	149,058
Loss for the year attributable to owners of the parent		(1,131,187)	(2,647,871)
Other comprehensive income			
Foreign currency differences on translating foreign operations		(180,198)	185,366
Other comprehensive income for the year, net of income tax		(180,198)	185,366
Total comprehensive income for the year		(1,311,385)	(2,462,505)
Basic and diluted loss per share (cents)	8	(0.92)	(2.36)

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED BALANCE SHEET

	Note	31 December 2012 $	31 December 2011 $
Assets			
Non-current assets			
Intangible assets	9	5,788,391	6,031,766
Goodwill	10	3,087,251	3,087,251
Property, plant and equipment	11	10,909,843	8,071,536
Other non-current assets		550	81,901
Total non-current assets		19,786,035	17,272,454
Current assets			
Trade and other receivables	13	4,833,721	2,055,249
Inventories	14	4,055,818	2,152,603
Cash and cash equivalents	15	5,720,664	6,646,335
Total current assets		14,610,203	10,854,187
Total assets		34,396,238	28,126,641
Equity and liabilities			
Current liabilities			
Trade and other payables	16	1,769,783	1,483,775
Total current liabilities		1,769,783	1,483,775
Non-current liabilities			
Deferred tax liability	17	781,313	840,356
Deferred consideration	12	600,000	-
Total liabilities		3,151,096	2,324,131
Equity attributable to owners of the parent			
Issued share capital	19	2,288,106	2,107,424
Share premium		48,919,023	42,345,688
Share-based payment reserve		1,136,150	1,136,150
Retained earnings		(15,008,808)	(13,877,621)
Foreign currency reserve		(6,089,329)	(5,909,131)
Total equity		31,245,142	25,802,510
Total equity and liabilities		34,396,238	28,126,641

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 7 May 2013.

Lance J. Baller

L J Baller

Chief Executive Officer and President

Company number: 05393357

The accompanying notes form part of these financial statements.

IOFINA PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share-based payment reserve	Retained earnings	Foreign currency reserve	Total equity
	$	$	$	$	$	$
Balance at 1 January 2011	**1,934,416**	**38,098,561**	**1,136,150**	**(11,229,750)**	**(6,094,497)**	**23,844,880**
Transactions with owners						
New share capital subscribed	173,008	4,333,589	-	-	-	4,506,597
Share issue cost	-	(86,462)	-	-	-	(86,462)
Total transactions with owners	**173,008**	**4,247,127**	**-**	**-**	**-**	**4,420,135**
Loss for the year attributable to owners of the parent	**-**	**-**	**-**	**(2,647,871)**	**-**	**(2,647,871)**
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	185,366	185,366
Total other comprehensive income	**-**	**-**	**-**	**-**	185,366	185,366
Total comprehensive income attributable to owners of the parent	-	-	-	**(2,647,871)**	**185,366**	**(2,462,505)**
Balance at 31 December 2011	**2,107,424**	**42,345,688**	**1,136,150**	**(13,877,621)**	**(5,909,131)**	**25,802,510**
Transactions with owners						
New share capital subscribed	180,682	6,693,385	-	-	-	6,874,067
Share issue cost	-	(120,050)	-	-	-	(120,050)
Total transactions with owners	**180,682**	**6,573,335**	**-**	**-**	**-**	**6,754,017**
Loss for the year attributable to owners of the parent	**-**	**-**	**-**	**(1,131,187)**	**-**	**(1,131,187)**
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	(180,198)	(180,198)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(180,198)**	**(180,198)**
Total comprehensive income attributable to owners of the parent	**-**	**-**	**-**	**(1,131,187)**	**(180,198)**	**(1,311,385)**
Balance at 31 December 2012	**2,288,106**	**48,919,023**	**1,136,150**	**(15,008,808)**	**(6,089,329)**	**31,245,142**

IOFINA PLC
CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Cash flows from operating activities		
Loss before taxation	(1,182,805)	(2,796,929)
Adjustments for:		
Depreciation	1,109,279	1,232,953
Amortisation	268,375	345,597
Finance income	(12,058)	(36,015)
Profit on disposal of property, plant and equipment	(181,815)	-
	976	(1,254,394)
Increase in trade and other receivables	(2,778,472)	(350,791)
Increase in inventories	(1,903,215)	(74,403)
Increase in trade and other payables	286,008	215,362
Net cash outflow from operating activities	(4,394,703)	(1,464,226)
Cash flows from investing activities		
Interest received	12,058	36,015
Acquisition of intangible assets	(25,000)	-
Acquisition of property, plant and equipment	(4,032,921)	(2,171,223)
Proceeds from disposal of property, plant and equipment	757,500	-
Net cash outflow from investing activities	(3,288,363)	(2,135,208)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	6,874,067	4,506,597
Cost of issue of ordinary share capital	(120,050)	(86,462)
Net cash inflow from financing activities	6,754,017	4,420,135
Net (decrease)/increase in cash and cash equivalents	(929,049)	820,701
Effects of foreign exchange	3,378	(3,133)
	(925,671)	817,568
Cash and cash equivalents at beginning of year	6,646,335	5,828,767
Cash and cash equivalents at end of year	5,720,664	6,646,335

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	31 December 2012 $	31 December 2011 $
Assets			
Investment in subsidiary undertakings	24	17,199,362	16,900,193
Loan to subsidiaries	24	22,633,233	16,688,401
Total non-current assets		39,832,595	33,588,594
Trade and other receivables	13	2,739	-
Cash and cash equivalents	15	986,054	1,022,720
Total current assets		988,793	1,022,720
Total assets		40,821,388	34,611,314
Current liabilities			
Trade and other payables	16	141,848	108,593
Total current liabilities		141,848	108,593
Equity attributable to the owners of the parent			
Issued share capital		2,288,106	2,107,424
Share premium		48,919,023	42,345,688
Share-based payment reserve		1,136,150	1,136,150
Retained earnings		(5,943,325)	(5,417,959)
Foreign currency reserve		(5,720,414)	(5,668,582)
Total equity		40,679,540	34,502,721
Total equity and liabilities		40,821,388	34,611,314

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 7 May 2013.

Lance J. Baller

L J Baller
Chief Executive Officer and President
Company number: 05393357

IOFINA PLC

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share based payment reserve	Retained earnings	Foreign currency reserve	Total equity
	$	$	$	$	$	$
Balance at 1 January 2011	**1,934,416**	**38,098,561**	**1,136,150**	**(4,787,130)**	**(5,855,256)**	**30,526,741**
Transactions with owners						
New share capital subscribed	173,008	4,333,589	-	-	-	4,506,597
Share issue cost	-	(86,462)	-	-	-	(86,462)
Total transactions with owners	**173,008**	**4,247,127**	**-**	**-**	**-**	**4,420,135**
Loss attributable to owners of the parent and	**-**	**-**	**-**	**(630,829)**	**-**	**(630,829)**
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	186,674	186,674
Total comprehensive income for the year	**-**	**-**	**-**	**(630,829)**	**186,674**	**(444,155)**
Balance at 31 December 2011	**2,107,424**	**42,345,688**	**1,136,150**	**(5,417,959)**	**(5,668,582)**	**34,502,721**
Transactions with owners						
New share capital subscribed	180,682	6,693,385	-	-	-	6,874,067
Share issue cost	-	(120,050)	-	-	-	(120,050)
Total transactions with owners	**180,682**	**6,573,335**	**-**	**-**	**-**	**6,754,017**
Loss attributable to owners of the parent and	**-**	**-**	**-**	**(525,366)**	**-**	**(525,366)**
Other comprehensive income						
Exchange differences on translating foreign operations	**-**	**-**	**-**	**-**	(51,832)	(51,832)
Total comprehensive income for the year	**-**	**-**	**-**	**(525,366)**	**(51,832)**	**(577,198)**
Balance at 31 December 2012	**2,288,106**	**48,919,023**	**1,136,150**	**(5,943,325)**	**(5,720,414)**	**40,679,540**

IOFINA PLC
COMPANY CASH FLOW STATEMENT

	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Cash flows from operating activities		
Loss before taxation	(525,366)	(630,829)
Adjustments for:		
Finance income	(100)	(1,830)
	(525,466)	(632,659)
(Increase)/decrease in other receivables and prepayments	(2,739)	165,549
Increase/(decrease) in trade and other payables	33,255	(17,971)
Net cash outflow from operating activities	(494,950)	(485,081)
Cash flows from investing activities		
Interest received	100	1,830
Loan to subsidiaries	(6,295,833)	(6,041,324)
Net cash outflow from investing activities	(6,295,733)	(6,039,494)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	6,874,067	4,506,597
Cost of issue of ordinary share capital paid	(120,050)	(86,462)
Net cash inflow from financing activities	6,754,017	4,420,135
Net decrease in cash and cash equivalents	(36,666)	(2,104,440)
Cash and cash equivalents at beginning of year	1,022,720	3,127,160
Cash and cash equivalents at end of year	986,054	1,022,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The Company is a public limited company incorporated and domiciled in the United Kingdom. The Company is listed on the AIM Market of the London Stock Exchange.

The registered office is located at 82 St. John Street, London, EC2M 4JN. The principal activities of the Company are that of investment holding and geological and chemical consulting. The principal activities of the subsidiaries are detailed in note 24.

a) Statement of compliance

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

b) Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Title	Subject	Effective Date
IAS 19 (revised June 2011)	Employee Benefits	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013*
IFRS 11	Joint Arrangements	1 January 2013*
IFRS 10	Consolidated Financial Statements	1 January 2013*
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IAS 28 (revised May 2011)	Investments in Associates and Joint Ventures	1 January 2013*
IAS 27 (revised May 2011)	Separate Financial Statements	1 January 2013*
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013*

* EU companies are permitted to extend the application date to periods commencing on or after 1 January 2014.

Adoption of the above is not considered to have a material impact on the Group financial statements.

c) Presentation of financial statements

The financial statements have been prepared on the historical cost basis.

As permitted by Section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements.

d) Revenue recognition

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

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

(i) Sale of goods – specialty chemicals

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

(ii) Sale of goods – iodine and ancillary products

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

e) Research and development expenditures

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

- completion of the intangible asset is technically feasible so it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

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

Development costs not meeting these criteria for capitalisation are expensed as incurred. In 2012, all research and development expenditures were expensed as incurred.

f) Going concern

In common with many exploration companies, the Group raises finance for its exploration, appraisal and development activities in discrete tranches. Further funding is raised as, and when, required. In May 2012, the Company raised $6.9 million (before expenses) of equity funding for the Group's working capital requirements in relation to the current rollout of the third and fourth plants, iodine leases and to cover accounts receivables up to sixty days due to the anticipated increase in sales from iodine production.

At its current stage of development, the directors consider that the Group does not need to raise additional funds in order to realise its business plan. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

g) Basis of consolidation and investments in subsidiary undertakings

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2012. 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 exercises control through voting rights. The acquisition method of accounting is used to account for the purchase of subsidiaries by the Group. On acquisition, the subsidiary's assets and liabilities are recorded at fair value reflecting their condition at the date of acquisition.

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

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

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

Investments in subsidiary undertakings are stated in the parent company balance sheet at cost less provision for any impairment losses.

h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group’s accounting policies. Acquisition costs are expensed as incurred.

Goodwill represents the excess of the fair value of consideration payable in a business combination over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over the fair value of consideration is recognised in profit or loss immediately after acquisition.

i) Foreign currency

The Group and Company has previously prepared their financial statements in Pounds Sterling. For 2012, the Board of Directors have decided to report in U.S. Dollars and the 2011 comparatives have also been translated to U.S. Dollars. The vast majority of the Group’s business is in U.S. Dollars, which is the functional currency of the operating subsidiaries. Therefore, U.S. Dollars will be the presentational currency for the Group financial statements. All transactions of Iofina plc will be translated from Pound Sterling to U.S. Dollars.

Transactions denominated in foreign currencies are denominated 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 profit and loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income 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 profit and loss.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average rate for the period. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised as other comprehensive income in the "Foreign currency reserve" in equity. On disposal of a foreign operation, the cumulative translation differences are transferred to profit and loss as part of the gain or loss on disposal. The US Dollar/Pounds Sterling exchange rate used at 31 December 2012 is 1.626 (2011: 1.552).

j) Intangible assets

Deferred exploration and evaluation costs

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

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

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

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

Other identifiable intangible assets

Other identifiable intangible assets arose from the acquisition of H&S Chemical in 2009. These assets were valued by an external, independent valuation firm. Based on the type of asset, the useful life of each asset was estimated. The value of each identifiable intangible asset is amortised evenly over its useful life. The following useful lives are applied:

- WET® patent: 15 years
- Customer relationships: 10 years
- Patent portfolio: 8 years
- EPA registrations: 2 years

Amortisation is included within administrative expenses.

Goodwill

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

k) Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of depreciation, and any provision for impairment. Cost includes purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, such as employee costs relating to construction, site preparation, installation and testing.

Depreciation is provided at rates calculated to write off the depreciable amount of each asset on a straight line basis over its expected useful life, as follows:

- Buildings: 2.5% per annum
- Mobile iodine extraction units and computer equipment: 10-33.3% per annum
- Plant and machinery: 10-20% per annum
- Drilling equipment and pipeline: 10-20% per annum
- IOSorb Plants: 10-20% per annum
- Leasehold improvements: 6.7% per annum

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

Freehold land is not depreciated.

l) Financial instruments

Financial liabilities

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

Financial assets

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

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

m) Impairment

Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, that 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 prices that render the project uneconomic; or
iv) variations in the currency of operation.

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

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

n) Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses for the share issue
- “Share-based payment reserve” represents the cumulative fair value of options and warrants issued by the Company and recognised in profit and loss.
- "Foreign currency reserve" represents the cumulative differences arising from translation of foreign operations
- "Retained earnings" represents retained profits or accumulated losses.

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

o) Inventories

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

p) Taxation

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

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries 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.

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

q) Operating leases

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

r) Share-based payments

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

Charges made to profit or loss, in respect to share-based payments, are credited to the share-based payment reserve.

s) Segment reporting

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

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

Corporate overheads, assets, and liabilities, which are not directly attributable to the business activities of any operating segment, are not allocated to a segment in arriving at segment result.

2. Significant judgements and estimates

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

The critical estimates made in the preparation of the financial statements are set out below. The resulting accounting estimate may not equal the related actual result and management must also make judgements about current circumstances and expectations of future events. Significant judgements made by management include:

a. Intangible assets are tested for impairment where there is an indication that they may be impaired. In accordance with IAS 36, an intangible asset is considered impaired when its carrying amount exceeds its recoverable amount on an individual cash generating unit basis. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance. In carrying out impairment testing, management will make a number of significant estimates in relation to the assumptions incorporated into their calculations. This will include factors such as growth rates, discount rates and inflation. Details and carrying values of intangible assets and goodwill are provided in notes 9 and 10.

b. Management reviews the useful lives of depreciable and amortisable assets at each reporting date. At 31 December 2012 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 9 and 11. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

3. Segment reporting

a. **Business segments -** The Group reports its business segments in line with IFRS8, which requires reporting based on the information that is presented to the chief operating decision maker. This is determined to be the Board. The Board receives management accounts for each company within the Group and as such the reporting is carried out on this basis. The costs of Iofina plc are included within unallocated corporate expenses.

	Resources	Chemical	Unallocated Corporate Expenses	Total
Year ended 31 December 2012	**$**	**$**	**$**	**$**
Revenue	-	18,643,308	-	18,643,308
Gross (loss)/profit	(22,563)	3,520,884	-	3,498,321
Segment result	(998,253)	392,432	(525,366)	(1,131,187)
Year ended 31 December 2011				
Revenue	-	16,105,559	-	16,105,559
Gross (loss)/profit	-	2,385,256	-	2,385,256
Segment result	(2,131,833)	114,791	(630,829)	(2,647,871)

	31 December 2012	31 December 2011
Assets	**$**	**$**
Unallocated Corporate (plc)	988,793	1,022,720
Resources	16,295,608	13,343,855
Chemical	17,111,837	13,760,066
Total	**34,396,238**	**28,126,641**
Liabilities		
Unallocated Corporate (plc)	141,848	108,593
Resources	822,518	136,981
Chemical	2,186,730	2,078,557
Total	**3,151,096**	**2,324,131**
Capital expenditure		
Resources	4,636,651	646,022
Chemical	21,270	1,525,201
Total	**4,657,921**	**2,171,223**
Depreciation/amortisation		
Resources	848,482	996,268
Chemical	529,172	582,283
Total	**1,377,654**	**1,578,551**

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

	31 December 2012 $	31 December 2011 $
Assets		
UK	988,793	1,022,720
USA	33,407,445	27,103,921
Total	**34,396,238**	**28,126,641**
Liabilities		
UK	141,848	108,593
USA	3,009,248	2,215,538
Total	**3,151,096**	**2,324,131**

c. **Significant customers -** Iofina Chemical had three significant customers in 2012; one represents 36% of sales, another 10% and the third accounts for 9%. In 2011, the three significant customers represented 26%, 21% and 7% of the total sales.

4. Loss before taxation

Loss before taxation is stated after charging/(crediting):

	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Fees payable to the Company's auditor for:		
Audit of the Company's financial statements		
- Current year	82,404	72,175
- Prior year	-	30,474
Depreciation expense	1,109,279	1,252,953
Amortisation expense	268,375	345,597
Profit on disposal of property, plant and equipment	(181,815)	-
Operating lease expense – land and buildings	77,204	175,108

Cost of sales – analysis by nature

	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Raw materials	12,950,427	12,280,228
Freight	205,499	313,956
Sales commission	95,701	51,101
Labour and manufacturing overhead	1,893,360	1,075,018
	15,144,987	13,720,303

Administrative expenses – analysis by nature

	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Payroll and benefits	1,987,760	1,847,930
Rent	55,834	151,108
Professional services	406,865	609,126
Insurance	360,709	323,916
Office	111,536	101,001
Travel	170,782	215,216
Property expenditures	57,541	10,729
Research and development	240,369	208,817
Depreciation	1,109,279	1,232,953
Amortisation	268,375	345,597
Profit on disposal of property, plant and equipment	(181,815)	-
Other	105,949	171,807
	4,693,184	5,218,200

5. Staff numbers and costs

The Group averaged 39 employees for 2012 (2011: 35). Staff cost for these employees, which includes the directors, were:

	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Wages and salaries	2,659,342	2,461,828
Social security costs	246,924	232,429
Total staff costs	2,906,266	2,694,257

Of the total staff costs above, $635,429 (2011: $573,057) is included within cost of sales; $1,987,760 (2011: $1,847,930) is included within administrative expenses and $283,077 (2011: $273,270) has been capitalised as additions to property, plant and equipment.

Of the total staff costs above, $549,418 (2011: $585,034) was paid to directors (considered to be key management personnel) for their services during the year.

	Year ended 31 December 2012 $	**Year ended 31 December 2011 $**
Wages and salaries	512,519	540,460
Social security costs	36,899	44,574
Total directors' cost	549,418	585,034

Included within wages and salaries above is $217,450 (2011: $217,106) in respect of the highest paid director.

6. Finance income

	Year ended 31 December 2012 $	**Year ended 31 December 2011 $**
Bank interest	12,058	36,015
	12,058	36,015

7. Taxation

	Year ended 31 December 2012 $	**Year ended 31 December 2011 $**
Tax expense comprises:		
Current year tax expense	-	-
Prior year tax expense	7,425	12,886
Deferred tax credit	(59,043)	(161,944)
	(51,618)	(149,058)

	Year ended 31 December 2012 $	Year ended 31 December 2011 $
Tax reconciliation:		
Loss on ordinary activities before tax	(1,182,805)	(2,796,929)
Tax at UK income tax rate of 24.5% (2011: 26.5%)	(289,787)	(741,186)
Effects of :		
Losses and other temporary differences not recognised for deferred tax purposes	254,787	615,186
Deferred tax on amortisation of intangibles	(59,043)	(161,944)
Effect of different tax rate of subsidiaries operating in other jurisdictions	35,000	126,000
Adjustment to previous year's tax expense	7,425	12,886
Total tax credit	(51,618)	(149,058)

The Group has accumulated tax losses of approximately $15,022,809 (2011: $13,891,622) carried forward which may be deductible from future taxable profits subject to agreement with the relevant tax authorities.

The Iofina Chemical operation, located in the U.S., will likely be the first location that will report Federal tax expense. This tax rate will be a consolidated rate for the Group, which will be based on an escalating tax scale. Initially we would anticipate this tax rate to be approximately 22%.

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

8. Loss per share

The calculation of loss per ordinary share is based on a loss attributable to shareholders of $1,131,187 (2011: $2,647,871) and the weighted average number of ordinary shares outstanding of 122,719,282 (2011: 112,052,933). Due to the loss in the year, there is no difference between the diluted loss per share and the basic loss per share.

9. Intangible assets

	Deferred exploration costs	WET® patent	Customer relationships	Patent portfolio	EPA registrations	Total
	$	$	$	$	$	$
Cost						
At 31 December 2010	3,358,719	2,700,000	660,671	187,000	271,000	7,177,390
Disposals	(211,792)	-	-	-	-	(211,792)
At 31 December 2011	3,146,927	2,700,000	660,671	187,000	271,000	6,965,598
Additions	-	-	-	25,000	-	25,000
At 31 December 2012	3,146,927	2,700,000	660,671	212,000	271,000	6,990,598
Accumulated amortisation						
At 31 December 2010	-	257,404	103,634	33,428	193,769	588,235
Charge for the year	-	180,000	64,991	23,375	77,231	345,597
At 31 December 2011	-	437,404	168,625	56,803	271,000	933,832
Charge for the year	-	180,000	65,000	23,375	-	268,375
At 31 December 2012	-	617,404	233,625	80,178	271,000	1,202,207
Carrying amounts						
At 31 December 2010	3,358,719	2,442,596	557,037	153,572	77,231	6,589,155
At 31 December 2011	3,146,927	2,262,596	492,046	130,197	-	6,031,766
At 31 December 2012	3,146,927	2,082,596	427,046	131,822	-	5,788,391

Deferred exploration costs primarily relate to the costs of acquiring leases to explore, drill and produce oil and gas in certain areas of Montana. Other intangible assets were acquired in the acquisition of H&S Chemical in 2009.

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 indications of impairment arise. The assumptions used for the impairment testing are:

- 25 year useful life
- $40 per barrel water price
- Discount rate of 25%

WET® Patent

The WET® Patent technology employs two different iodine extraction methods depending on brine chemistry for optimal efficiency. We utilized a with and without analysis, a variation of the discounted cash-flow method, to estimate the fair value of a WET® Patent at date of acquisition. The methodology compared the cash flow generating capacity of H&S assuming it was operating without the benefit of the WET® Patent to the projected cash flow with the benefit of the patent. The contractual life of the patent in excess of 20 years, however the useful life of the patent was estimated as 15 years based on the following:

- Management's expectation for the expected viability of the technology
- Management's expectations regarding the timing of significant substitute technology
- The lack of comparable substitute technologies as of the valuation date

Customer relationships

The customer base acquired by Iofina is concentrated, with the top ten customers representing 83 per cent of total sales in 2012. We utilised the discounted cash flow methodology to separately value customer relationships on acquisition according to projected future earnings and cash flows and a discount rate of 18.1 per cent. The useful life was estimated as 10 years according to the following:

- Historically low customer attrition rates
- Management's expectation for continued high customer retention rates going forward
- The lack of substitutes in the market for the products and services offered by Iofina Chemical, Inc

Patent portfolio

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

EPA registrations

Iofina Chemical, Inc. held multiple EPA registrations as of the valuation date for IPBC, Methyl Iodide and Lampricide. We utilised the discounted cash flow method to estimate the present value of lost profits assuming that Iofina Chemical, Inc. did not have the registrations and had to enter the application process. The useful life was estimated as 2 years based on estimated time necessary to complete a successful application.

10. Goodwill

Carrying amounts	$
At 31 December 2010, 31 December 2011, and 31 December 2012	3,087,251

Goodwill arose on the acquisition of H&S Chemical in 2009 and is wholly allocated to the Iofina Chemical cash generating unit of the Group. Goodwill impairment testing is conducted annually, based on projected cash flow to be generated.

The Chemical business has been in operation for 28 years (2011: 27 years). On average, sales have grown at least 10% annually for the past 3 years. Management believes that 25 years of cash flow generation should be used in the impairment review. For impairment testing, a conservative growth rate of 2.25 per cent (2011: 2.25%) was used, with a discount rate of 10 per cent (2011: 10%). The results of this testing show that the goodwill valuation can be supported by this projected cash flow.

11. Property, plant and equipment

	Freehold Land	Buildings	Mobile Iodine Extraction Units & Computer Equipment	Plant and machinery	IOSorb Plants	Drilling Equipment & Pipeline	Leasehold Improve-ments	Total
	$	$	$	$	$	$	$	$
Cost								
At 31 December 2010	**-**	**-**	**195,618**	**1,759,311**	**-**	**7,379,651**	**95,459**	**9,430,039**
Additions	209,000	1,313,937	355,651	290,371	-	-	2,264	2,171,223
Disposals	-	-	-	-	-	(45,991)	-	(45,991)
Reclassifications	-	-	-	-	-	-	-	-
At 31 December 2011	**209,000**	**1,313,937**	**551,269**	**2,049,682**	**-**	**7,333,660**	**97,723**	**11,555,271**
Additions	-	-	5,475	80,793	4,352,183	194,470	-	4,632,921
Disposals	-	-	(8,544)	(181,098)	-	(929,138)	(2,260)	(1,121,040)
Reclassifications	-	-	691,163	918,110	355,651	(2,035,234)	70,310	-
At 31 December 2012	**209,000**	**1,313,937**	**1,239,363**	**2,867,487**	**4,707,834**	**4,563,758**	**165,773**	**15,067,152**
Accumulated Depreciation								
At 31 December 2010	**-**	**-**	**42,228**	**826,041**	**-**	**1,436,564**	**12,255**	**2,317,088**
Charges for the year	-	7,019	139,638	491,162	-	584,863	10,271	1,232,953
Disposals	-	-	-	-	-	(66,306)	-	(66,306)
Reclassifications	-	-	-	-	-	-	-	-
At 31 December 2011	**-**	**7,019**	**181,866**	**1,317,203**	**-**	**1,955,121**	**22,526**	**3,483,735**
Charges for the year	-	33,691	135,797	398,480	33,484	495,022	12,805	1,109,279
Disposals	-	-	-	(128,512)	-	(307,193)	-	(435,705)
Reclassifications	-	-	144,184	384,122	-	(597,492)	69,186	-
At 31 December 2012	**-**	**40,710**	**461,847**	**1,971,293**	**33,484**	**1,545,458**	**104,517**	**4,157,309**
Carrying amounts								
At 31 December 2010	-	-	153,390	933,270	-	5,943,087	83,204	7,112,951
At 31 December 2011	209,000	1,306,918	369,403	732,479	-	5,378,539	75,197	8,071,536
At 31 December 2012	209,000	1,273,227	777,516	896,194	4,674,350	3,018,300	61,256	10,909,843

Adjustments have been made to re-classify certain assets to more appropriately reflect the nature of the assets.

12. Deferred consideration

Deferred consideration relates to additions to IOSorb plants within property, plant, and equipment.

	$
At 31 December 2010 and 31 December 2011	-
Recognized in year	600,000
At 31 December 2012	600,000

The deferred consideration represents management's best estimates of the amount to be payable based on expected production levels over a period of up to 5 years and is not discounted. The maximum contractual amount that could be payable is $1 million.

13. Trade and other receivables

Group

	31 December 2012 $	31 December 2011 $
Trade receivables	4,144,457	1,604,023
Other receivables and prepayments	689,264	451,226
	4,833,721	2,055,249

Company

	31 December 2012 $	31 December 2011 $
Prepayments and other receivables	2,739	-
	2,739	-

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

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

14. Inventories

Group	31 December 2012 $	31 December 2011 $
Raw materials	1,761,036	538,330
Work in progress	1,313,796	925,732
Finished goods	980,986	688,541
	4,055,818	2,152,603

At year end, there were no provisions against the carrying value of inventories (2011: nil). During the year, the cost of inventories recognised as expense and included in 'cost of sales' amounted to $12,950,428 (2011: $12,280,228).

15. Cash and cash equivalents

Group

	31 December 2012 $	31 December 2011 $
Cash in US Dollar accounts	4,734,610	5,623,615
Cash in GB Pound Sterling accounts	986,054	1,022,720
	5,720,664	6,646,335

Company

	31 December 2012 $	31 December 2011 $
Cash in GB Pound Sterling accounts	986,054	1,022,720
	986,054	1,022,720

16. Trade and other payables

Group

	31 December 2012 $	31 December 2011 $
Trade payables	1,071,338	1,117,032
Accrued expenses and deferred income	698,445	366,743
	1,769,783	1,483,775

Company

	31 December 2012 $	31 December 2011 $
Trade payables	17,912	40,795
Accrued expenses and deferred income	123,936	67,798
	141,848	108,593

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

The Group and Company have not pledged any assets as collateral for any liabilities or contingent liabilities.

17. Deferred tax liability

	$
At 31 December 2010	1,002,300
Credit to income for the year	(161,944)
At 31 December 2011	840,356
Credit to income for the year	(59,043)
At 31 December 2012	781,313

The deferred tax liability arises on recognition of intangible assets at fair value on acquisition of H&S Chemical in 2009.

18. 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 instrument is cash, which is invested with major banks.

Financial assets and liabilities

Group

2012	Loans and receivables $	Financial liabilities at amortised cost $	Total $
Cash and cash equivalents	5,720,664	-	5,720,664
Trade receivables	4,144,457	-	4,144,457
			9,865,121
Trade payables	-	(1,071,338)	(1,071,338)
Accruals	-	(698,445)	(698,445)
Deferred consideration	-	(600,000)	(600,000)
			(2,369,783)

2011			
Cash and cash equivalents	6,646,335	-	6,646,335
Trade receivables	1,604,023	-	1,604,023
			8,250,328
Trade payables	-	(1,117,032)	(1,117,032)
Accruals	-	(336,743)	(336,743)
			(1,453,775)

Company

	Loans and receivables $	Financial liabilities at amortised cost $	Total $
2012			
Cash and cash equivalents	986,054	-	986,054
Loan to subsidiaries	22,633,233	-	22,633,233
			23,619,287
Trade payables	-	17,912	17,912
Accruals	-	123,936	123,936
			141,848
2011			
Cash and cash equivalents	1,022,720	-	1,022,720
Loan to subsidiaries	16,688,401	-	16,688,401
			17,711,121
Trade payables	-	40,795	40,795
Accruals	-	67,798	67,798
			108,593

Interest rate risk

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

Foreign currency risk

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

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

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 carrying amount of financial assets.

Liquidity risk

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

Commodity risk

The Group is exposed to movements in the price of natural gas and its by-products, which may affect the viability of a project. Given that there were no sales of commodities during 2011 and 2012, the Group was exposed to a nominal commodity risk.

19. Share capital

		31 December 2012	**31 December 2011**
Authorised:			
Ordinary shares of £0.01 each	- number of shares	1,000,000,000	1,000,000,000
	- nominal value	£10,000,000	£10,000,000
Allotted, called up and fully paid:			
Ordinary shares of £0.01 each	- number of shares	127,284,398	115,713,098
	- nominal value	£1,272,844	£1,157,132

	31 December 2012	**31 December 2011**
	$	**$**
Issued share capital	2,288,106	2,107,424
Share premium	48,919,023	42,345,688

During the year ended 31 December 2012, the Company issued 11,571,300 new ordinary shares at a price of 37.5p per share.

The total number of voting rights in the Company's ordinary shares at 31 December 2012 was 127,284,398 (2011: 115,713,098).

	Number of ordinary shares
At 31 December 2010	**105,193,726**
Issue of shares	10,519,372
At 31 December 2011	**115,713,098**
Issue of shares	11,571,300
At 31 December 2012	**127,284,398**

20. Share based payments

During the year ended 31 December 2012, the Company granted options of 130,000 shares to employees of the Group under the 2008 Iofina plc option plan.

The Group expensed to profit or loss a total of nil in 2012 (2011: nil) related to these options because the fair value of these options is not considered material.

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

Weighted average share price at date of grant:	£0.30
Weighted average exercise price	£0.30
Weighted average expected volatility	50% or 66.6%
Weighted average expected life	3 years
Risk free rate	1.20%

Expected volatility is a measure of the amount by which the Group's shares are expected to fluctuate during the life of an option. The expected volatility is estimated based on the volatility of seven comparable companies. The expected life of the options is based on historic behaviour in the context of the contractual terms of the options. The risk free rate is based on long term LIBOR rate at the date of the grant.

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

Date of Grant	Number of Options	Vesting Date	Share Price £	Exercise Price £	Volatility	Risk Free Rate
9 May 2008	100,000	9 May 2009	0.55	0.55	67%	1.2%
9 September 2008	100,000	9 Sep 2009	0.55	0.55	67%	1.2%
2 July 2010	1,510,000	2 Jul 2011	0.30	0.30	50%	1.2%
2 January 2012	30,000	2 Jan 2014	0.21	0.21	50%	1.2%
2 June 2012	100,000	11 Jun 2014	0.34	0.34	50%	1.2%
Weighted average			0.39	0.33	52%	1.2%

	2012 Number of options
Outstanding at the beginning	2,152,273
Granted	130,000
Lapsed/forfeited	(442,273)
Outstanding at the end of the year	1,840,000
Exercisable at the end of the year	1,710,000

	2011 Number of options
Outstanding at the beginning of the year	2,152,273
Exercisable at the end of the year	2,152,273

21. Related party transactions

There were no related party transactions apart from transactions with key management personnel and Group entities as detailed below.

The key management personnel of the Group are its directors. Remuneration provided to the director was as follows:

	31 December 2012 $	31 December 2011 $
Short-term employee benefits	462,988	540,460
Social security costs	36,899	44,574
Total	499,887	585,034

The Company has entered into a number of unsecured related party transactions with its subsidiary undertakings. The most significant transactions carried out between the Company and its subsidiary undertakings are financing.

In addition, Iofina Resources Inc. provided Iofina Chemical, Inc. with management, financial and administrative services. In the year ended 2012, Iofina Chemical, Inc. paid $1,542,640 (2011: $600,000) for these services.

Amounts receivable from these entities are detailed in note 24.

22. Leases

The Group leases space for administrative and manufacturing purposes under one agreement. The remaining life of the lease is 13 months. At the balance sheet date the minimum payments are $69,425 (2011: $67,747) for the next 12 months and $75,223 (2011: $142,971) for the remaining life of the lease. The lease is strictly for the use of improved realty on a stated payment basis and contains no contingent, purchase or renewal clauses.

23. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being share capital plus reserves. The Board monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. Iofina plc is not subject to any externally imposed capital requirements.

24. Subsidiary undertakings

Investment in subsidiaries

	Investment in subsidiaries $
Cost	
Balance at 31 December 2010	**16,509,306**
Exchange difference	390,887
Balance at 31 December 2011	**16,900,193**
Exchange difference	299,169
Balance at 31 December 2012	**17,199,362**

Loans to subsidiaries

	Loans to subsidiaries $
Cost	
Balance at 31 December 2010	**10,965,233**
Additions net of exchange differences	5,723,168
Balance at 31 December 2011	**16,688,401**
Additions net of exchange differences	5,944,832
Balance at 31 December 2012	**22,633,233**

Subsidiary undertakings

	Country of incorporation and operation	Principal activity	Interest in ordinary shares and voting rights
Iofina, Inc.	United States	Holding company	100%
Iofina Resources, Inc.	United States	Exploration	100%
Iofina Chemical, Inc.	United States	Specialty chemical	100%

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

25. Capital commitments

At 31 December 2012, the Group had capital commitments of $385,929 (2011: $149,888).

26. Post balance sheet events

Following the reporting date, the Group has entered into several contracts with independent oil and gas operators to extract iodine from their brine streams. These deals represent significant new revenue opportunities for the Group.

Iofina and the environment

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