25 April 2014

Iofina plc

(“Iofina” or the “Group”)

(LSE AIM: IOF)

Audited Final Results

Full Vertical Integration Achieved

Iofina, specialists in the exploration and production of iodine, with complete vertical integration into specialty chemical iodine derivatives, announces its audited Final Results for the 12 months to 31 December 2013.

12 months to 31 December 2013

KEY OPERATIONAL POINTS:

- Produced a record 171 metric tonnes (“MT”) of crystallised iodine in the year;
- Completed construction and commissioning of the IO#2 and IO#3 iodine extraction plants based on the Group’s WET® IOsorb™ Technology, achieving a tenfold increase in production capacity compared to unaccompanied IO#1 capacity at year end 2012;
- Achieved iodine production rate exceeding the current organic requirement at Iofina Chemical, allowing for full vertical integration at year end 2013;
- Received significant increase in iodine-rich brine volume at the Company’s IO#2 plant as a result of the completion of the Operator’s fracking program;
- Operationalised new plant and process designs, resulting in higher recovery efficiencies and industry-leading production costs;
- Completed turnkey, mini plant design capable of producing iodine at sites of varying brine volume and iodine concentrations;
- Awarded a US patent for the Group’s IOsorb™ iodine extraction technology;
- Realised record sales levels, despite a 25 per cent decline in Iodine prices during the year 2013; and

- Secured sites for the outtake water depot and additional letters of intent for water sales in the State of Montana.

KEY FINANCIAL POINTS:

- Revenue of $18,931,230 (2012: $18,643,308);
- EBITDA loss of $1,594,886 (2012: positive $182,791);
- Loss before tax of $3,804,293 (2012: $1,182,805) ;
- Successful issuance of $15mil Convertible Bond to fund plant rollout;
- Closing Property, plant and equipment of $21,392,180 (2012: $10,909,843) as a result of construction of additional IOsorb™ plants; and
- Increased inventories to $6,902,227 (2012: $4,055,818) due to significant increase in iodine production compared to 2012.

FIRST QUARTER 2014:

- Produced 47 MT of crystallised iodine, a 260 per cent increase compared to the same period in 2013;
- Completed construction and commissioning of the IO#4 and IO#5 iodine extraction plants, with IO#6 on target for completion during the quarter;
- Realised revenue exceeded target for the quarter due to strong performance of Iofina Chemical;
- Extended maturity of $15mil Convertible Bond at a lower coupon;
- Iodine production target reduced to 400 metric tonnes of crystallized Iodine due to significantly reduced brine supply as a result of principal Operators fracking schedule; and
- $2.3m cash balance at the end of the quarter.

Commenting on today's results, Lance Baller, Non-Executive Chairman, stated**: "The Board believes progress and lessons learnt in the year will further advance Iofina's status as a strong competitor in the iodine and iodine derivatives industries with full vertical integration in the manufacturing of iodine derivatives. Iofina Chemical continues to scale output in Q1 2014, and is working to expand its geographical footprint. The addition of IO#2 and IO#3 in 2013, along with the production from IO#4 and IO#5, and shortly from IO#6, provides diversification to the Group's iodine production and presents further future growth opportunities in iodine derivative products.**

"Whilst we are now in a position to produce Iodine from five IOsorb™ plants, we are disappointed that the reduction in brine water supply may negatively affect runtime of three of these plants due to the current fracking timetable, resulting in our revised production guidance. We are working hard to re-route additional water to these plants as well as align overheads to our production profile. I believe that over the longer term the Group is well set to benefit from the investment in its WET® IOsorb™ technology."

The Company's report and accounts are available from the Company's website, www.iofina.com.

IOFINA PLC

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About Iofina

Iofina specializes 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 utilizes its portfolio of patented and patent pending technology, proprietary methods and trademarks throughout all business lines.

IOFINA PLC

CHAIRMAN'S STATEMENT

The period under review proved to be a year of expansion and improvement for Iofina with the successful installation and start-up of two plants based on the Group's Wellhead Extraction Technology® ("WET®") with IOsorb™, followed by the completion of construction on two additional plants in Q1 2014. The completed IO#2, IO#3, IO#4 and IO#5 plants are located in Oklahoma and are in addition to the IO#1 plant located in Texas which has been in production since August of 2012. The successful, concurrent construction of four complex plants on an aggressive construction schedule demonstrates our ability to upscale production capacity. With these additional plants, and continued optimisation of production processes and design, current raw iodine production rates extend beyond the 2013 organic requirements for raw iodine at Iofina Chemical, enabling outside sales of raw iodine in 2014.

Iofina continues to cooperate with the Oil and Gas Operators ("Operators") to maximize brine supply to each plant. Such efforts have led to an increase in brine volume at IO#1 and resulted in significant improvement in iodine production at the plant. Factors beyond the Group's control resulted in inconsistent brine supply at the IO#2 and IO#3 plants in early 2014. An uncommonly cold winter, with temperatures well below average, proved to be an issue for Operators as they experienced power outages and shut-in production wells. The use of produced brine water by the Operator in the hydraulic fracturing of newly drilled wells also resulted in inconsistent brine supply at IO#3 in early 2014 which is expected to impact brine supply at IO#3, IO#4, IO#5 and IO#6 in the near term. We are working with the Operator to re-route brine water to affected plants in order to obtain consistent brine throughput. We also anticipate the continued drilling activity in the area to result in an increase in the supply of iodine-rich brine to existing and planned IOsorb™ plants in the area. This is similar to what was experienced at IO#2 upon completion of the Operator's drilling program in 2013. This drilling program confirms the operator's intention to maintain and grow the production area for years to come. The additional plants located in Oklahoma also benefit from warmer brine supplied via direct pipelines from well sites, resulting in higher recovery efficiencies using Iofina's patented WET® IOsorb™ Technology.

Iodine and Iodine Derivatives

Iofina produced a record 171 metric tonnes ("MT") of crystallised iodine in the year 2013. Although delays in the completion of IO#3-IO#6 resulted in the Group falling short of expected iodine production for the year, we have learned several vital lessons applicable to the construction and operation of our plants. With the winter weather breaking, recent production from IO#1 and IO#2 has returned to expected levels. The addition of IO#4-IO#6 is expected, at this time, to result in production of circa 400 metric tonnes of crystallized iodine in 2014. This rate of production will satisfy requirements at Iofina Chemical and set the stage for sales of raw iodine to both new and existing customers.

Improved plant and process design resulted in higher recovery efficiencies and further cost reductions. IO#3-IO#6 include improved automation designs that reduce the largest cost components at each plant, specifically chemicals and labour. Average production cost per kg for the year was less than $30. We expect to see significant improvements in production costs with the addition of higher volume plants comparable to IO#2, which produce at a more favourable cost in the low $20 per kilogram range. The recent addition of IO#4 and IO#5, and the addition of IO#6 in Q2 2014, will significantly increase production over current levels and is expected to decrease average production costs in the year 2014 and onward, growing shareholder value.

The Group is pleased with progress towards establishing production at higher iodine concentration and lower brine volume sites. A collaborative effort between the Group's geology and design teams has resulted in a turnkey plant option to produce iodine at such sites. The plants incorporate a process comparable to Iofina's WET® IOsorb™ process and will deliver iodine intermediately that will then be processed at the nearby larger plants. The addition of these low cost units can add additional production capacity, flexibility and diversity to the Group's iodine production.

In 2013, Iofina Chemical ("IC") achieved record sales levels. This was achieved even as worldwide iodine prices declined from near $60/kg at the beginning of 2013 to approximately $45/kg by year end. The revenue and profit margins at IC in 2013 were adversely affected by the lower price of iodine.

IC strengthened its position in the iodine chemical derivatives markets with strong product offerings. A record volume increase of almost 10% year over year enabled IC to continue its growth trend, which is expected to continue in 2014. The use of Iofina Resources' raw iodine commenced this year allowing the Group to become a member of a small group of vertically integrated iodine producers. Expansion of export sales continued as we strengthened our cooperation with existing customers and worked to develop new customer relationships. Research and Development ("R&D") efforts are focused on developing new, high-value products.

IC continues to invest in the Covington, Kentucky facility to improve 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.

The increased production of iodine from our mid-stream business in 2014, coupled with the continuing introduction of new products, gives us confidence in another strong year for IC.

Atlantis Water Project

We made significant progress toward commercialisation of Iofina's fresh water resource in the state of Montana in 2013. The Group secured sites for the outtake water depot and obtained additional letters of intent for water sales and use in Montana. The Department of Natural Resources and Conservation ("DNRC") determined that the requested amount of water is both physically and legally available and that there would be no adverse effect at the point of diversion due to the engineering and design consideration outlined in the engineering study. Iofina provided the requested revisions to the application in March of 2014. On 18 April 2014 the Group was notified that the preliminary determination of DNRC was to deny the application for water rights. The Group is entitled to a hearing with the State to register its disagreement with the preliminary decision of the DNRC. In the hearing, the Board plans to defend the Group's application and further explain the rationale behind the application and why the Group believes it meets regulatory requirements. The hearing is anticipated to occur in May or June 2014. If approved, the Group will continue to pursue the construction and operation of the water depot in Montana, which would require financing. The Board believes the approved permit could add substantial shareholder value in the future. If our permit is ultimately denied, our Montana strategy and assets will need to be reassessed.

Financing

Iofina issued a two year US$15 million convertible note to Stena Investment S.à.r.l in May 2013. The Bond was amended in March 2014 to extend the redemption date by two years to 15 May 2017 and the coupon was reduced to 6.00 per cent per annum from 6.5 per cent. The amended terms allow for conversion at any time upon 28 days' notice to Iofina at a conversion price of $1.67. The proceeds from the issue were used to accelerate the rollout of IOsorb™ plants to increase the rate of production growth. The Group has 127,284,398 ordinary shares in issue. The Group had a market capitalisation of £126.01 million on 31 December 2013.

Iodine Market

Market demand for iodine continued to grow in 2013 as anticipated by the Board and we expect demand to continue to grow throughout 2014. However, increased supply created downward pressure on the price of iodine. Lower iodine prices resulted in producers with high production costs to reduce production, setting the stage for establishment of a near term raw iodine price floor. The production reductions by large iodine producers have resulted in a stabilised price in the low $40 range, in Q1-14, down from circa $60/kg in Q1-13. The Board expects growing demand, particularly in LCD screens, semiconductor manufacturing, X-ray contrast media, and pharmaceuticals and biocides to result in stabilized prices in 2014.

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.

Outlook

2013 was a breakthrough year for the Group, and the Board believes progress and lessons learnt in the year will further advance Iofina's status as a strong competitor in the iodine and iodine derivatives industries. The Group achieved full vertical integration production rates in the year, eliminating the future need to purchase raw iodine on the open market for the manufacturing of iodine derivatives. Iofina Chemical continues to scale output in Q1 2014, and is working to expand its geographical footprint. The addition of IO#2 and IO#3 in 2013, along with the additional production from IO#4 and IO#5 and shortly from IO#6, provides diversification to the Group's iodine production and presents further growth opportunities in iodine derivative products. The Group envisages an economical contribution to production through the implementation of proprietary mini WET® IOsorb™ technology plants at the point operations stabilize in 2014. Recent changes in Board composition are expected to result in the strengthening of our governance, strategy and execution. The Board expects significant improvements to the operation, design, and construction of WET® IOsorb™ plants in the year 2014, positioning the Group for record production and improving financial results.

IOFINA PLC

Lance Baller
Non-Executive Chairman
Iofina plc

FINANCIAL REVIEW

Iofina reported a loss of $3,744,293 for the year ended 31 December 2013 (2012: loss of $1,131,187). The basic and diluted loss per share was $0.029 (2012: loss $0.009) and no dividend is being declared.

In 2013, the Group has concentrated efforts on building additional IO plants to maximize iodine recovery from the mid-stream business locations.

At year end the Group had property, plant, and equipment of $21,392,180 (2012: $10,909,843) and undeveloped leasehold costs of $3,600,106 (2012: $3,146,927).

The Group's opening cash and short term investments position for 2013 was $5,720,664 and the closing position was $8,268,755, an increase of $2,548,091. Proceeds of the May 2013 convertible note of $15,000,000 were primarily used to pay for investment of $11,673,611 in IO#3 which began production in November 2013 and for IO#4, IO#5 and IO#6 which are scheduled to begin production in the first half of 2014.

Gary Gatchell
Finance Director
Iofina plc
24 April 2014

IOFINA PLC

STRATEGIC REPORT

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 production of iodine with complete vertical integration into the specialty chemical iodine derivatives business. Iodine in brine water sourced from oil and gas operators is used as a raw material for the production of iodine derivatives at Iofina Chemical. As additional IO plants come on-line raw iodine sales outside the group will ensue.

Iodine is a rare element that is only produced in a few countries in the world, with over 90 per cent produced from Chile (58 per cent.) and Japan (32 per cent.). Through the Group's wholly owned subsidiary Iofina Chemical, Inc., the Group is vertically integrated into the iodine derivatives market and the crude iodine sales market. Vertical integration through both production and derivatives results in better margins.

The Group's proprietary Wellhead Extraction Technology® (WET®) and WET® IOsorb™ methods enable the co-production of iodine from brine. The Directors of the Group believe that Iofina's low cost production strategy will provide excellent gross margins and increasing revenue streams.

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 2013 $	**Year ended 31 December 2012 $**
Revenue from sales of iodine and iodine derivatives	18,931,230	18,643,308
Total pounds of product shipped	1,261,000	1,153,000
Metric tonnes of crystallized iodine produced	171	10
IO plants in operation (year-end)	3	1

Objectives

With production starting recently at IO#4 and IO#5, the Group has five operating iodine production facilities. IO#6 is expected to come on-line in Q2 2014. While the theoretical capacity of these plants is very high, the practical capacity of the plants is somewhat lower. Practical capacity takes into account multiple causes of downtime including weather, repairs and maintenance, inadequate brine (low parts per million of iodine, heavily contaminated brine or little to no supply), power outages and other conditions. Continued operating experience will result in more accurate practical capacity operating targets as well as techniques for maximizing practical capacity.

In 2014, the primary focus is to maximize production from the significant capital investments made over the past year. The Group is working to increase revenue from the sale of iodine derivatives and the Group will need to sell through the iodine produced in excess of the iodine requirements needed for the production of those derivatives.

The first priority for growth in production capacity will be the installation of several mini-plants. These mini-plants have been designed for a lower total facility cost per barrel of water processed. The mini-plants can also be targeted on locations with higher concentrations of iodine in the local brine water. These mini-plants can also be relocated in the event financial returns can be increased by re-location of the units.

The schedule for the rollout of additional full size plants is currently under consideration.

In the event that the Group's water project is approved, work will begin on determining the optimal strategy for development of this business. Financing will be required for the project. Such financing could be obtained through multiple channels, including joint ventures with others.

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 and development of 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 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, iodine and natural gas 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 iodine and natural gas prices and, in particular, a material decline in the price of iodine and natural gas would have a material adverse effect on the Group's business, financial condition and operations assuming production is achieved by the Group's production and exploration activities.

Key customers: There are a limited number of potential customers who purchase many of the products of the Group's chemical business, which makes relationships with these customers, as well as the success of those customers' businesses, critical to the Group's success. The loss of one or more major customers could harm the business, operating results and financial condition of the Group. Iofina is continuing to diversify its customer base in its Chemical subsidiary. In addition, Iofina works closely with all its customers to develop strong relationships with a significant focus on ensuring its products and services meet the needs of its customers and are of the highest quality. In 2013, 49% (2012: 36%) of revenue recognized was attributable to one long term customer, a distributor. Relations with this customer are good.

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.

Going concern

The Group has historically completed equity and debt offerings to fund its developmental and growth activities as required. Major capital projects initiated in 2013 are expected to be completed in the first half of 2014. In 2013, 49% (2012: 36%) of revenue recognized was attributable to one long term customer, a distributor. Relations with this customer are good.

In May 2013, the Group raised $15.0 million of funding through a convertible note to complete construction of iodine extraction plants. At its current stage of development, the Directors consider that the Group does not need to raise additional funds in order to realise its core business plan. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Lance Baller
Non-Executive Chairman
Iofina plc

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2013.

Post balance sheet events

Following the reporting date, the Group has entered into an agreement to amend the terms of the outstanding $15,000,000 convertible note with Stena Investment S.à.r.l. The redemption date was extended by two years to 15 May 2017. The coupon on the Bond has been reduced to 6.0% per annum from 6.5%. The terms of conversion have been modified such that Stena may convert at any time upon 28 days' notice to Iofina at a conversion price of $1.67.

Directors’ responsibilities for the preparation of the financial statements

The Directors are responsible for preparing the Strategic Report, 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; and
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.

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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.

Indemnity insurance on behalf of Directors is not currently in force.

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, retired 31 March 2014
Jeffrey P. Ploen, Non-Executive Deputy Chairman
Paul S. Chase-Gardener, Non-Executive Director and Chairman of the Audit Committee
George E. Lantz, Chief Executive Officer and President, appointed 19 September 2013
Forest D. Dorn, Executive Director
Gary Gatchell, Finance Director, Executive Director, appointed 3 September 2013
Lance J. Baller, Chief Executive Officer and President, retired 12 June 2013 and re-appointed 10 April 2014 as Non-Executive Director and Chairman
Stuart M. Eaton, Non-Executive Director, retired 22 November 2013
Dr. William D. Bellamy, Non-Executive Director, appointed 20 March 2014

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

George Lantz

Chief Executive Officer and President

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 three 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.

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.

In June 2013, Lance Baller stepped down as CEO, President and Director for health reasons. In September 2013 George Lantz was appointed CEO, President and Director and Gary Gatchell was appointed Finance Director and Director. Stuart Eaton resigned from the Board in November 2013. 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. Subsequent to year end, Dr. Fay resigned from the Board, Dr. William Bellamy was appointed as a Non-Executive Director and Mr. Baller was appointed Chairman and Non-Executive Director.

Remuneration Committee and policy

The Remuneration Committee is composed of two non-executive directors: J P Ploen (Chairman), 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 two non-executive directors: P S Chase-Gardener (Chairman) and J P Ploen. 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.

SOCIAL RESPONSIBILITY STATEMENT

The Group supports the growing awareness of social, environmental and ethical matters when considering business practices. See http://iofina.com/community/social-responsibility for 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.

Directors

Remuneration provided to each director was as follows:

	2013			2012		
	Salary	**Bonus**	**Total $**	**Salary**	**Bonus**	**Total $**
Dr. Chris E. Fay	125,778	-	125,778	71,325	-	71,325
Jeffrey P. Ploen	67,880	-	67,880	49,531	-	49,531
Paul S. Chase-Gardener	45,919	-	45,919	35,663	-	35,663
Forest D. Dorn	150,000	-	150,000	150,000	-	150,000
George Lantz	56,575	-	56,575			
Gary Gatchell	66,667	-	66,667	-	-	-
Lance Baller	103,600	50,000	153,600	200,000	6,000	206,000
Stuart M. Eaton	39,930	-	39,930	-	-	-
Total	656,349	50,000	706,349	506,519	6,000	512,519

No pension contributions were paid on behalf of the directors in 2013 or 2012.

The interests of the Directors in office as at 31 December 2013 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 2013	**1 January 2013**
Dr. C E Fay	1,400,000	1,230,000
J P Ploen (1)	9,361,600	9,440,000
P S Chase-Gardener (2)	350,000	350,000
F D Dorn	-	-
G D Gatchell	-	-
G E Lantz	26,433	26,433
L J Baller (3)	4,500,000	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) Comprised of beneficial ownership of shares.

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, 250,000 shares on 2 July 2010 with an exercise price of 30 pence and 250,000 shares on 6 November 2013 with an exercise price of 163 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. Gary Gatchell was granted options for 300,000 shares on 3 September 2013 with an exercise price of 146 pence. George E Lantz was granted options for 250,000 shares on 19 September 2013 with an exercise price of 151 pence. In addition, Mr. Baller and Mr. Ploen have each issued an option grant to Mr. Lantz for 125,000 shares with an exercise price of 151 pence. No other director has any interests in options in the Company.

On behalf of the Board

George Lantz
Chief Executive Officer and President

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 23 to 58. 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 14, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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.

Emphasis of matter – Atlantis Water Project (Montana)

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 2(a), 10 and 28 of the financial statements concerning the status of group's application for water rights in the State of Montana. On 18 April 2014, the group was notified that the preliminary determination of the Montana Department of Natural Resources and Conservation ("DNRC") was to deny the group's application. As explained in note 2(a), the directors remain confident that the application will be successful and that the Montana operating segment assets are not impaired. The carrying value as at 31 December 2013 of the non-current assets within the Montana operating segment was $6,558,213. The financial statements do not include the adjustments that would result if the Montana operating segment assets were impaired.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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
24 April 2014

IOFINA PLC

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Revenue	3	18,931,230	18,643,308
Cost of sales	4	(15,830,233)	(15,144,987)
Gross profit		3,100,997	3,498,321
Administrative expenses	4	(6,155,531)	(4,693,184)
Finance expense	6	(764,352)	-
Finance income	7	14,593	12,058
Loss before taxation	4	(3,804,293)	(1,182,805)
Taxation	8	60,000	51,618
Loss for the year attributable to owners of the parent		(3,744,293)	(1,131,187)
Other comprehensive income			
Foreign currency differences on translating foreign operations		142,783	(180,198)
Other comprehensive income for the year, net of income tax		142,783	(180,198)
Total comprehensive income for the year		(3,601,510)	(1,311,385)
Basic and diluted loss per share $	9	(0.029)	(0.009)

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

IOFINA PLC

GROUP CONSOLIDATED BALANCE SHEET

	Note	31 December 2013 $	31 December 2012 $
Assets			
Non-current assets			
Intangible assets	10	5,973,745	5,788,941
Goodwill	11	3,087,251	3,087,251
Property, plant and equipment	12	21,392,180	10,909,843
Total non-current assets		30,453,176	19,786,035
Current assets			
Inventories	13	6,902,227	4,055,818
Investments	14	6,198,821	-
Trade and other receivables	15	2,630,051	4,833,721
Cash and cash equivalents	16	2,069,934	5,720,664
Total current assets		17,801,033	14,610,203
Total assets		48,254,209	34,396,238
Equity and liabilities			
Current liabilities			
Trade and other payables	17	3,718,171	1,769,783
Total current liabilities		3,718,171	1,769,783
Non-current liabilities			
Deferred tax liability	18	721,313	781,313
Deferred consideration	19	400,000	600,000
Convertible note	20	14,608,674	-
Total liabilities		19,448,158	3,151,096
Equity attributable to owners of the parent			
Issued share capital	21	2,288,106	2,288,106
Share premium		48,919,023	48,919,023
Share-based payment reserve		1,728,798	1,136,150
Equity reserve		569,771	-
Retained earnings		(18,753,101)	(15,008,808)
Foreign currency reserve		(5,946,546)	(6,089,329)
Total equity		28,806,051	31,245,142
Total equity and liabilities		48,254,209	34,396,238

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 24 April 2014.

George Lantz
Chief Executive Officer and President
Company number: 05393357
The accompanying notes form part of these financial statements.

IOFINA PLC

GROUP CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital $	Share premium $	Share-based payment reserve $	Equity reserve $	Retained earnings $	Foreign currency reserve $	Total equity $
Balance at 1 January 2012	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
Share-based expense	-	-	592,648	-	-	-	592,648
Equity component of note	-	-	-	569,771	-	-	569,771
Total transactions with owners	-	-	592,648	569,771	-	-	1,162,419
Loss for the year attributable to owners of the parent	-	-	-	-	(3,744,293)	-	(3,744,293)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	-	-	-	142,783	142,783
Total other comprehensive income	-	-	-	-	-	142,783	142,783
Total comprehensive income attributable to owners of the parent	-	-	-	-	(3,744,293)	142,783	(3,601,510)
Balance at 31 December 2013	2,288,106	48,919,023	1,728,798	569,771	(18,753,101)	(5,946,546)	28,806,051

IOFINA PLC

GROUP CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Cash flows from operating activities		
Loss before taxation	(3,744,294)	(1,182,805)
Adjustments for:		
Depreciation	1,191,273	1,109,279
Amortisation	268,375	268,375
Share based expense	592,648	-
Finance income	(14,593)	(12,058)
Unwinding of discount on convertible note	178,445	-
Profit on disposal of property, plant and equipment	-	(181,815)
	(1,528,146)	976
Decrease/(increase) in trade and other receivables	2,203,671	(2,778,472)
Increase in inventories	(2,846,409)	(1,903,215)
Increase in trade and other payables	1,688,387	286,008
Net cash outflow from operating activities	(482,497)	(4,394,703)
Cash flows from investing activities		
Interest received	14,593	12,058
Acquisition of intangible assets	(453,179)	(25,000)
Acquisition of property, plant and equipment	(11,673,611)	(4,032,921)
Proceeds from disposal of property, plant and equipment	-	757,500
Investment purchases	(10,044,959)	-
Investment sales and maturities	3,846,139	-
Net cash outflow from investing activities	(18,311,017)	(3,288,363)
Cash flows from financing activities		
Proceeds from issuance of convertible note	15,000,000	-
Proceeds from the issue of ordinary share capital	-	6,874,067
Cost of issue of ordinary share capital	-	(120,050)
Net cash inflow from financing activities	15,000,000	6,754,017
Net decrease in cash and cash equivalents	(3,793,514)	(929,049)
Effects of foreign exchange	142,784	3,378
	(3,650,730)	(925,671)
Cash and cash equivalents at beginning of year	5,720,664	6,646,335
Cash and cash equivalents at end of year	2,069,934	5,720,664

IOFINA PLC

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2013

		31 December 2013 $	31 December 2012 $
Assets			
Investment in subsidiary undertakings	26	17,199,362	17,199,362
Loan to subsidiaries	26	37,184,466	22,633,233
Total non-current assets		54,383,828	39,832,595
Trade and other receivables	15	10,223	2,739
Cash and cash equivalents	16	207,544	986,054
Total current assets		217,767	988,793
Total assets		54,601,595	40,821,388
Current liabilities			
Trade and other payables	17	186,354	141,848
Total current liabilities		186,354	141,848
Non-current liabilities			
Convertible note	20	14,608,674	-
Total liabilities		14,795,028	-
Equity attributable to the owners of the parent			
Issued share capital	21	2,288,106	2,288,106
Share premium		48,919,023	48,919,023
Share-based payment reserve		1,728,798	1,136,150
Equity reserve		569,771	-
Retained earnings		(7,971,167)	(5,943,325)
Foreign currency reserve		(5,727,964)	(5,720,414)
Total equity		39,806,567	40,679,540
Total equity and liabilities		54,601,595	40,821,388

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 24 April 2014.

George Lantz
Chief Executive Officer and President
Company number: 05393357

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share based payment reserve	Equity reserve	Retained earnings	Foreign currency reserve	Total equity
	$	$	$	$	$	$	$
Balance at 1 January 2012	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
Share-based expense	-	-	592,648	-	-	-	592,648
Equity component of note	-	-	-	569,771	-	-	569,771
Total transactions with owners	-	-	592,648	569,771	-	-	1,162,419
Loss attributable to owners of the parent and	-	-	-	-	(2,027,842)	-	(2,027,842)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	-	-	-	(7,550)	(7,550)
Total comprehensive income for the year	-	-	-	-	-	(7,550)	(7,550)
Balance at 31 December 2013	2,288,106	48,919,023	1,728,798	569,771	(7,971,167)	(5,727,964)	39,806,567

IOFINA PLC

COMPANY CASH FLOW STATEMENT

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Cash flows from operating activities		
Loss before taxation	(2,027,842)	(525,366)
Adjustments for:		
Finance income	-	(100)
Share based expense	592,648	
Unwinding of discount on convertible note	178,445	
	(1,256,749)	(525,466)
Increase in other receivables and prepayments	(7,484)	(2,739)
Increase in trade and other payables	36,956	33,255
Net cash outflow from operating activities	(1,227,277)	(494,950)
Cash flows from investing activities		
Interest received	-	100
Loan to subsidiaries	(14,551,233)	(6,295,833)
Net cash outflow from investing activities	(14,551,233)	(6,295,733)
Cash flows from financing activities		
Proceeds from issuance of convertible note	15,000,000	-
Proceeds from the issue of ordinary share capital	-	6,874,067
Cost of issue of ordinary share capital paid	-	(120,050)
Net cash inflow from financing activities	15,000,000	6,754,017
Net decrease in cash and cash equivalents	(778,510)	(36,666)
Cash and cash equivalents at beginning of year	986,054	1,022,720
Cash and cash equivalents at end of year	207,544	986,054

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 70 Chancery Lane, London, WC2A 1AF. The principal activities of the Company are that of investment holdings in subsidiaries engaged in the production of iodine and iodine derivatives.

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union ('EU') and the Companies Act 2006 applicable to companies reporting under IFRS.

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

New standards, interpretations and amendments effective from 1 January 2013.

The following new standards, interpretations and amendments, are effective for the first time in these financial statements but none have had a material effect on the financial statements:

Title	Subject	Effective Date
IFRS 7 - Financial Instruments	Provides guidance on the meaning of "a legally enforceable right of set off" and situations where gross settlement systems may be considered equivalent to net settlement.	1 Jan 2013
IFRS 13 – Fair Value Measurement	Provides a definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS's	1 Jan 2013

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2014 (or later periods and which the Company has decided not to adopt early. These are:

Title	Subject	Effective Date
IAS 32 - Financial Instruments	Provides guidance on the meaning of "a legally enforceable right of set off" and situations where gross settlement systems may be considered equivalent to net settlement.	1 Jan 2014
IAS 27 – Separate Financial Statements	Largely replaced by IFRS 10 but retains existing guidance on group reorganisations where a new parent entity is established and sets out disclosure requirements in separate financial statements	1 Jan 2014*
IAS 28 - Investments in Associates and Joint Ventures	Requires joint ventures and associates to be equity accounted	1 Jan 2014*
IFRS 10 – Consolidated financial statements	Replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". Retains the principle of control, but redefines control and provides further guidance on how to apply the control principle.	1 Jan 2014*
IFRS 11	Replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and establishes consistent principles for all types of jointly controlled arrangements. Retains a similar definition of joint control but clarifies that a joint arrangement will be either a "joint operations" or a "joint venture".	1 Jan 2014*
IFRS 12 - Disclosure of Interests in Other Entities	Applies to entities with interests in subsidiaries, joint arrangements, associates and other unconsolidated structured entities and sets out disclosures in respect of such entities.	1 Jan 2014*

* Effective in the EU for financial years starting on or after 1 Jan 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 convention.

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 consists of sales of iodine derivatives, chemicals 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.

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

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 2013, all research and development expenditures were expensed as incurred.

f) Going concern

The Group has historically completed equity and debt offerings to fund its developmental and growth activities as required. Major capital projects initiated in 2013 are expected to be completed in the first half of 2014. In 2013, 49% (2012: 36%) of revenue recognized was attributable to one long term customer, a distributor. Relations with this customer are good.

In May 2013, the Group raised $15.0 million of funding through a convertible note to complete construction of iodine extraction plants. 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 2013. Subsidiaries are wholly owned 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 vast majority of the Group's business is denominated in U.S. Dollars, which is the functional currency of the operating subsidiaries. Therefore, U.S. Dollars is the presentational currency for the Group financial statements. All transactions of Iofina plc are 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 averaged 1.597 in 2013 and at 31 December 2013 was 1.648 (2012: 1.626).

j) Intangible assets

Undeveloped leasehold 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.

Undeveloped leasehold costs are carried at historical cost less any impairment losses recognised. If a 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 undeveloped leasehold 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
- Equipment and machinery: 10-20% per annum
- Drilling equipment and pipeline: 10-20% per annum
- IOsorb Plants: 5% per annum (effective in both 2013 and 2012)

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

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

Convertible loan notes

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Interest-bearing loans are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement, redemption or conversion, are recognised in profit or loss over the term of the instrument using the effective rate of interest.

Instruments where the holder has the option to redeem for cash or convert into a pre-determined quantity of equity shares are classified as compound instruments and presented partly as a liability and partly as equity.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The difference between the proceeds of issue and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Transaction costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar nonconvertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

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 undeveloped leasehold 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.
- "Equity reserve" represents the equity component assigned to the compound financial instrument after deducting the fair value of the instrument as a whole.
- "Retained earnings" represents retained profits or accumulated losses.
- "Foreign currency reserve" represents the cumulative differences arising from translation of foreign operations.
- "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. When inventory is sold the cost is included in Cost of Sales on the Statement of Comprehensive Income.

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 Iodine and Iodine Derivatives segment include the production of raw iodine and the production of iodine derivatives and other non-iodine based chemical derivatives The Montana segment includes the exploration and production of natural gas, iodine and water for use in various applications. This presentation has changed from the method used in previous reporting to better reflect changes in operations and strategy for the Group.

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

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 10 and 11. The Board has reviewed the issues raised in the Preliminary Determination to Deny (see note 28), which may be considered an indicator of impairment, with legal counsel and recommends proceeding to the Show Cause Hearing. The Board believes the water is physically and legally available and the necessary “possessory interests” to install the water depot and associated infrastructure are established. The Board believes the permit meets all the criteria for the issuance of the water permit and is confident that the application will ultimately be successful. Following Board review and consideration of the indication of impairment, and the likelihood of success with the project, the Board does not consider the Atlantis project (Montana) to be impaired. See also the Chairman’s statement above and note 3 below.

b. Management reviews the useful lives of depreciable and amortisable assets at each reporting date. At 31 December 2013 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 10 and 12. 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. This presentation has changed from the method used in previous reporting to better reflect changes in operations and strategy for the Group. The costs of Iofina plc are included within unallocated corporate expenses.

Year ended 31 December 2013	Iodine and Iodine Derivatives $	Montana $	Unallocated Corporate Expenses $	Total $
Revenue	18,931,230	-	-	18,931,230
Gross (loss)/profit	3,100,997	-	-	3,100,997
Segment result	(1,185,886)	(530,565)	(2,027,842)	(3,744,293)
Year ended 31 December 2012				
Revenue	18,643,308	-	-	18,643,308
Gross (loss)/profit	3,498,321	-	-	3,498,321
Segment result	3,388	(609,209)	(525,366)	(1,131,187)

Assets	31 December 2013 $	31 December 2012 $
Iodine and Iodine Derivatives	41,478,229	26,593,938
Montana	6,558,213	6,813,507
Unallocated Corporate (plc)	217,767	988,793
Total	**48,254,209**	**34,396,238**
Liabilities		
Iodine and Iodine Derivatives	4,653,130	3,009,248
Montana	-	-
Unallocated Corporate (plc)	14,795,028	141,848
Total	**19,448,158**	**3,151,096**
Capital expenditure		
Iodine and Iodine Derivatives	11,893,067	4,632,921
Montana	280,100	-
Total	**12,173,167**	**4,632,921**
Depreciation/amortization		
Iodine and Iodine Derivatives	929,083	768,445
Montana	530,565	609,209
Total	**1,459,648**	**1,377,654**

b. **Geographical segments -** The Group also reports by geographical segment. The Group's activities are related to exploration for, and development of, iodine and natural 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 are based on the geographical location of the assets and revenues are shown by the region products are sold into.

	31 December 2013 $	31 December 2012 $
Assets		
UK	217,767	988,793
USA	48,036,442	33,407,445
Total	**48,254,209**	**34,396,238**
Liabilities		
UK	14,795,028	141,848
USA	4,653,130	3,009,248
Total	**19,448,158**	**3,151,096**
Revenue		
North America	6,889,734	7,617,802
Europe	923,606	873,702
Asia	10,935,372	9,976,714
Other	182,518	175,090
Total	**18,931,230**	**18,643,308**

c. **Significant customers -** Iofina Chemical had three significant customers in 2013; one distributor represents 49% of sales, another customer 9% and the third accounts for 8%. In 2012, the three significant customers represented 36%, 10% and 9% of the total sales.

4. Loss before taxation

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

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Depreciation expense	1,191,273	1,109,279
Amortisation expense	268,273	268,375
Share based expense	592,648	-
Profit on disposal of property, plant and equipment	-	(181,815)
Operating lease expense – land and buildings	55,329	77,204
Other:		
Annual audit fees	98,280	103,275
Tax compliance	3,360	3,060

Cost of sales – analysis by nature

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Raw materials	13,146,161	12,950,427
Freight	279,488	205,499
Sales commission	82,204	95,701
Labour, manufacturing overhead and royalties	2,322,380	1,893,360
	15,830,233	15,144,987

Administrative expenses – analysis by nature

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Payroll and benefits	2,620,968	1,960,835
Office expenses	716,325	762,887
Professional services	560,917	389,893
Travel	252,123	145,711
Insurance	169,535	179,827
Rent	29,801	42,666
Other	9,037	15,526
Share based expense	592,648	-
Depreciation	935,802	1,109,279
Amortisation	268,375	268,375
Profit on disposal of property, plant and equipment	-	(181,815)
	6,155,531	4,693,184

5. Staff numbers and costs

The Group averaged 73 employees for 2013 (2012: 39). Staff cost for these employees, which includes the directors, were:

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Wages and salaries	4,521,604	2,955,939
Social security costs	667,219	414,389
Total staff costs	5,188,823	3,370,329

Of the total staff costs above, $2,368,023 (2012: $635,429) is included within cost of sales; $2,620,968 (2012: $1,960,835) is included within administrative expenses and $199,832 (2012: $283,077) has been capitalised as additions to property, plant and equipment.

Of the total staff costs above, $727,290 (2012: $549,418) was paid to directors (considered to be key management personnel) for their services during the year.

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Wages and salaries	706,349	512,519
Social security costs	20,941	36,899
Total directors' cost	727,290	549,418

Included within wages and salaries above is $153,600 (2012: $217,450) in respect of the highest paid director.

6. Finance expense

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Interest expense	764,352	-
	764,352	-

Interest expense is on the convertible note described in note 20 below.

7. Finance income

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Interest income	14,593	12,058
	14,593	12,058

8. Taxation

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Tax expense comprises:		
Current year tax expense	-	-
Prior year tax expense	-	7,425
Deferred tax credit	(60,000)	(59,043)
	(60,000)	(51,618)

	Year ended 31 December 2013 $	Year ended 31 December 2012 $
Tax reconciliation:		
Loss on ordinary activities before tax	(3,744,293)	(1,182,805)
Tax at UK income tax rate of 23.25% (2012: 24.50%)	(870,548)	(289,787)
Effects of:		
Losses and other temporary differences not recognized for deferred tax purposes	823,745	254,787
Deferred tax on amortisation of intangibles	(60,000)	(59,043)

Effect of different tax rate of subsidiaries operating in other jurisdictions	46,803	35,000
Adjustment to previous year's tax expense	-	7,425
Total tax credit	(60,000)	(51,618)

The Group has accumulated tax losses of approximately $18,500,000 (2012: $15,022,804) which may be deductible from future taxable profits subject to agreement with the relevant tax authorities. To the extent tax losses are not utilized to offset current income taxes they will begin to expire in 2029.

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.

9. Loss per share

The calculation of loss per ordinary share is based on a loss attributable to shareholders of $3,744,293 (2012: $1,131,187) and the weighted average number of ordinary shares outstanding of 127,284,398 (2012: 122,719,282). Due to the loss in the year, there is no difference between the diluted loss per share and the basic loss per share.

10. Intangible assets (Group)

	Undeveloped Leasehold Costs	WET® patent	Customer relationships	Patent portfolio	EPA registrations	Total
	$	$	$	$	$	$
Cost						
At 31 December 2011	3,147,477	2,700,000	660,671	187,000	271,000	6,966,148
Additions	-	-	-	25,000	-	25,000
At 31 December 2012	3,147,477	2,700,000	660,671	212,000	271,000	6,991,148
Additions	479,793	-	-	-	-	479,793
Disposals	(26,614)	-	-	-	-	(26,614)
At 31 December 2013	3,600,656	2,700,000	660,671	212,000	271,000	7,444,327
Accumulated amortisation						
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
Charge for the year	-	180,000	65,000	23,375	-	268,375
At 31 December 2013		797,404	298,625	103,553	271,000	1,470,582
Carrying amounts						
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	-	5,788,941
At 31 December 2013	3,600,656	1,902,596	362,046	108,447	-	5,973,745

Undeveloped leasehold costs primarily relate to the costs of acquiring lease rights to produce iodine, co-produced water and natural gas at the original field as well as a pipeline rights of way which link its operations to the TransCanada pipeline system. Other intangible assets were acquired in the acquisition of H&S Chemical in 2009. The Board has reviewed the issues raised in the Preliminary Determination to Deny with legal counsel and recommends proceeding to the Show Cause Hearing. The Board believes the water is physically and legally available and the necessary "possessory interests" to install the water depot and associated infrastructure are established. The Board believes the permit meets all the criteria for the issuance of the water permit. See also note 2(a).

Impairment reviews for undeveloped leasehold 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:

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 is 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
- The remaining amortisation period is 10.5 years

Customer relationships

The amount capitalized relates to the acquisition of Iofina Chemical and the then existing customer base. The initial useful was 10 years and the remaining amortisation period is approximately 5.5 years.

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 percent 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.

11. Goodwill (Group)

Carrying amounts	
At 31 December 2013, 31 December 2012, and 31 December 2011	$ 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 29 years (2012: 28 years). Management believes that 20 years of cash flow generation should be used in the impairment review. For impairment testing, cash flows discounted at 8.5% per annum indicate that the goodwill valuation can be supported.

12. Property, plant and equipment (Group)

	Freehold Land	Buildings	Equipment and Machinery	Drilling Equipment & Pipeline	Construction in Progress	Total
	$	$	$	$	$	$
Cost						
At 31 December 2011	209,000	1,411,660	2,600,951	7,333,660	-	11,555,271
Additions	-	13,948	2,009,050	194,470	2,415,453	4,632,921
Disposals	-	-	(191,902)	(929,138)	-	(1,121,040)
Reclassifications	-	-	2,035,234	(2,035,234)	-	-
At 31 December 2012	209,000	1,425,608	6,453,333	4,563,758	2,415,453	15,067,152
Additions	-	39,895	4,661,176	-	6,976,977	11,678,048
Disposals	-	-	-	(4,438)	-	(4,438)
Reclassifications	-	-	2,415,453	-	(2,415,453)	-
At 31 December 2013	209,000	1,465,503	13,529,962	4,559,320	6,976,977	26,740,762
Accumulated Depreciation						
At 31 December 2011	-	52,839	1,475,775	1,955,121	-	3,483,735
Charges for the year	-	42,992	571,265	495,022	-	1,109,279
Disposals	-	-	(128,512)	(307,193)	-	(435,705)
Reclassifications	-	-	597,492	(597,492)	-	-
At 31 December 2012	-	95,831	2,516,020	1,545,458	-	4,157,309
Charges for the year	-	43,369	752,070	395,834	-	1,191,273
At 31 December 2013	-	139,200	3,268,090	1,941,292	-	5,348,582
Carrying amounts						
At 31 December 2011	209,000	1,358,821	1,125,176	5,378,539	-	8,071,536
At 31 December 2012	209,000	1,329,777	3,937,313	3,018,300	2,415,453	10,909,843
At 31 December 2013	209,000	1,326,303	10,261,872	2,618,028	6,976,977	21,392,180

The groupings used to report property plant and equipment have been revised from previous reporting to better reflect the change in segmentation of the business into Iodine and Iodine Derivatives and Montana related activities. Adjustments have been made to re-classify certain assets to more appropriately reflect the nature of the assets.

Construction in progress at December 31, 2012 included costs incurred in the construction of IO#2. Construction in progress at December 31, 2013 included costs incurred in the construction of IO#4, IO#5 and IO#6. Upon completion of construction IO plant costs are reclassified to equipment and machinery.

13. Inventories

Group	31 December 2013 $	31 December 2012 $
Raw materials	3,419,291	1,694,268
Work in progress	1,875,705	1,306,454
Finished goods	1,607,231	1,055,096
	6,902,227	4,055,818

At year end, there were no provisions against the carrying value of inventories (2012: nil). During the year, the cost of inventories recognised as expense and included in 'cost of sales' amounted to $14,825,788 (2012: $14,634,810).

14. 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's principal financial instrument is cash, which is invested with major banks.

Financial assets and liabilities

Group

	Loans and receivables $	Financial liabilities at amortised cost $	Total $
2013			
Cash and cash equivalents	2,069,934	-	2,069,934
Investments	6,198,821	-	6,198,821
Trade receivables	2,630,051	-	2,630,051
			10,898,806
Trade payables	-	2,371,374	2,371,374
Accrued liabilities	-	1,346,797	1,346,797
Deferred consideration	-	400,000	400,000
Convertible note	-	14,608,674	14,608,674
			18,726,845
2012			
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

Investment	Maturity	Amount	Yield
FDIC Guaranteed Certificates of Deposit (1)	January 2014	240,000	0.25%
FDIC Guaranteed Certificates of Deposit (4)	February 2014	960,000	0.30%
FDIC Guaranteed Certificates of Deposit (2)	May 2014	480,000	0.30%
FDIC Guaranteed Certificates of Deposit (4)	August 2014	960,000	0.41%
Commercial Paper (1)	July 2014	497,906	0.46%
Corporate Note (1)	March 2014	516,319	0.27%
Corporate Notes (2)	April 2014	1,016,542	0.23%
Corporate Notes (2)	June 2014	1,022,372	0.35%
Corporate Note (1)	July 2014	505,682	0.25%
		6,198,821	

Company

	Loans and receivables $	Financial liabilities at amortised cost $	Total $
2013			
Cash and cash equivalents	207,544	-	207,544
Loan to subsidiaries	37,184,466	-	37,184,466
			37,392,010
Trade payables		8,734	8,734
Accruals		177,620	177,620
Convertible note		14,608,674	14,608,674
			14,795,028
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

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. At 31 December 2013 the investment portfolio had a weighted average maturity of 4.37 months and a weighted average yield of 0.318%. The weighted average expected interest income from these investments is approximately $7,178. Approximately 40% of the investments are in guaranteed accounts. Considering the type and short term nature of these investments interest rate risk sensitivity is insignificant. Subsequent to 31 December 2013 the investments were converted to cash.

The interest rate on the convertible note was fixed at 6.5% at 31 December 2013. The annual interest on the note is approximately $975,000.

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. Currently, sales transactions are denominated in US Dollars, which is the operating currency. Other impacts of foreign currency risk are not deemed material to these financial statements.

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 raw iodine. Given that there were no sales of raw iodine during 2013 and 2012, the Group was exposed to a nominal commodity risk.

15. Trade and other receivables

Group

	31 December 2013 $	31 December 2012 $
Trade receivables	2,426,934	4,147,196
Other receivables and prepayments	203,117	686,525
	2,630,051	4,833,721

Company

	31 December 2013 $	31 December 2012 $
Prepayments and other receivables	10,223	2,739
	10,223	2,739

All receivables and prepayments are short term in nature. The carrying values are considered a reasonable approximation of fair value. All trade receivables were collected subsequent to the balance sheet date. There is no bad debt provision, and therefore no movement on the bad debt provision for the year.

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

16. Cash and cash equivalents

Group

	31 December 2013 $	31 December 2012 $
Cash in US Dollar accounts	1,862,390	4,734,610
Cash in GB Pound Sterling accounts	207,544	986,054
	2,069,934	5,720,664

Company

	31 December 2013 $	31 December 2012 $
Cash in GB Pound Sterling accounts	207,544	986,054
	207,544	986,054

17. Trade and other payables

Group

	31 December 2013 $	31 December 2012 $
Trade payables	2,571,374	1,071,338
Accrued expenses and customer deposits	1,146,797	698,445
	3,718,171	1,769,783

Company

	31 December 2013 $	31 December 2012 $
Trade payables	8,734	17,912
Accrued interest and expenses	177,620	123,936
	186,354	141,848

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.

18. Deferred tax liability

	$
At 31 December 2011	840,356
Credit to income for the year	(59,043)
At 31 December 2012	781,313
Credit to income for the year	(60,000)
At 31 December 2013	721,313

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

19. Deferred consideration

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

	$
At 31 December 2012	600,000
Recognized in year	(200,000)
At 31 December 2013	400,000

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. Based upon

2013 production levels, $200,000 of deferred consideration was reclassified and included in trade payables at 31 December 2013. The maximum contractual amount that could be payable is $1 million.

20. Convertible Note

On 15 May 2013 the Group issued a $15,000,000 convertible note at par value which has an annual coupon of 6.5% payable quarterly in arrears. The note is convertible into fully paid ordinary shares at a conversion price of USD $3.21. If not converted or previously redeemed the note will be redeemed at par upon maturity two years from the issue date. The Company has the right to redeem the note without penalty at any time at which point the holder may elect to convert or receive repayment.

As at 31 December 2013 the loan note had a balance of $14,608,674 and accrued interest relating to the loan was $137.140. The convertible note has been split into its respective debt and equity component and a credit to equity in relation to the conversion of the option of $569,771 has been recognised using an 8.5% per annum discount rate. At maturity, absent conversion, $15,000,000 would be due to the note holder. The convertible note was modified in 2014 as discussed in note 28.

The note holder is a Substantial Shareholder in the Company and pursuant to AIM Rule 13, the issue of the note is a Related Party Transaction.

21. Share Capital

		31 December 2013	**31 December 2012**
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	127,284,398
	- nominal value	£1,272,844	£1,272,844

	31 December 2013	**31 December 2012**
	$	**$**
Issued share capital	2,288,106	2,288,106
Share premium	48,919,023	48,919,023

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 2013 was 127,284,398 (2012: 127,284,398).

Number of ordinary shares

At 31 December 2011	**115,713,098**
Issue of shares	11,571,300
At 31 December 2012	**127,284,398**
Issue of shares	-
At 31 December 2013	**127,284,398**

22. Share based payments

During the year ended 31 December 2013, the Company granted options of 800,000 shares to employees of the Group under the 2008 Iofina plc option plan.

The Group expensed to profit or loss a total of $592,648 in 2013 (2012: nil).

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

Weighted average share price at date of grant:	£1.53
Weighted average exercise price	£1.53
Weighted average expected volatility	67.7%
Weighted average expected life	3 years
Risk free rate	0.79%
Dividends	none

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. The weighted average contractual life of outstanding options grants is 7.4 years.

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 £	Exercise Price $	Volatility	Risk Free Rate
9 May 2008	200,000	9 May 2009	0.55	0.55	0.91	67%	1.2%
2 July 2010	1,510,000	2 Jul 2011	0.30	0.30	0.50	50%	1.2%
2 January 2012	30,000	2 Jan 2014	0.21	0.21	0.35	50%	1.2%
2 June 2012	100,000	11 Jun 2014	0.34	0.34	0.56	50%	1.2%
3 September 2013	300,000	1/3 annually	1.46	1.46	2.41	68%	0.8%
19 September 2013	250,000	1/3 annually	1.51	1.51	2.49	68%	0.8%
6 November 2013	250,000	immediate	1.63	1.63	2.69	68%	0.8%
Weighted average			0.69	0.69	1.15	57%	1.1%

The weighted average exercise price of options forfeited/lapsed in the year was £0.21. The weighted average exercise price of options outstanding at the beginning of the year was £0.34. The weighted average exercise price of all options outstanding at year end was £0.70. The weighted average exercise price for all exercisable options at year end was £0.57. Exercise prices shown in USD are based on the US Dollar/Pounds Sterling exchange rate at 31 December 2013 of 1.648. Options outstanding at 31

December 2013 expire the earlier of ten years from grant date or the termination of service to the Company, the latter being subject to the administrator's discretion.

	2013 Number of options
Outstanding at the beginning	1,840,000
Granted	800,000
Lapsed/forfeited	(30,000)
Outstanding at the end of the year	2,610,000
Exercisable at the end of the year	2,192,500

	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

23. Related party transactions

In May 2013 Iofina plc executed a convertible note in the amount of $15,000,000 with with Stena Investment S.à.r.l, an owner of approximately 10% of the outstanding common shares. The transaction was deemed a related party transaction pursuant to AIM Rule 13. See note 20 for a description of the note.

There are intercompany transactions among the members of the Group. In 2013 the proceeds of the convertible note were transferred to Iofina Resources and iodine produced by Iofina Resources was sold to Iofina Chemical. Related party balances are as follows:

	31 December 2013 $		31 December 2012 $	
	Due from	Due to	Due from	Due to
Iofina plc	37,633,234	-	22,633,234	-
Iofina Resources	3,211,259	37,633,234	4,360,256	22,633,234
Iofina Chemical	-	3,211,259	-	4,360,256

Intercompany sales were $4.8 million in 2013 and $0.4 in 2012. Additional related party transactions are with key management personnel as detailed below. Option grants as described in note 22 are to employees and Directors.

	31 December 2013 $	31 December 2012 $
Wages and salaries	706,349	540,460
Share based expense	592,648	-
Social security costs	20,941	44,574
Total	1,319,938	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.

24. Leases

The Group leases space for administrative purposes under one agreement. The remaining life of the lease is 62 months. At the balance sheet date the minimum payments are $141,790 (2012: $69,425) for the next 12 months. The lease is strictly for the use of improved realty on a stated payment basis and contains no contingent, purchase or renewal clauses.

Future Minimum Lease Payments	31 December 2013 $	31 December 2012 $
One year	141,790	69,425
More than one and less than five years	489,116	-
More than five years	16,240	-
Total	647,146	69,425

25. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being share capital plus reserves. The Board 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.

26. Subsidiary undertakings

Investment in subsidiaries

	Investment in subsidiaries $
Cost	
Balance at 31 December 2011	16,900,193
Exchange difference	299,169
Balance at 31 December 2012	17,199,362
Exchange difference	-
Balance at 31 December 2013	17,199,362

Loans to subsidiaries

	Loans to subsidiaries $
Cost	
Balance at 31 December 2011	16,688,401
Additions	5,944,832
Balance at 31 December 2012	22,633,233
Additions	14,551,233
Balance at 31 December 2013	37,184,466

Intra-group loans receivable are reviewed for impairment at least annually or when indicators of impairment arise. 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 the present value of expected future cash flows.

Subsidiary undertakings

	Country of incorporation and operation	Principal activity	Interest in ordinary shares and voting rights
Iofina, Inc.	United States/CO	Holding company	100%
Iofina Resources, Inc.	United States/CO	Iodine production	100%
Iofina Chemical, Inc.	United States/DE	Specialty chemical	100%
Iofina Resources, LLC	United States/CO	Holding company (Dormant)	100%
Iofina Resources, LLC	United States/TX	Holding company	100%
Iofina Resources, LLC	United States/OK	Holding company	100%
Atlantis Water Solutions, Inc.	United States/MT	Holding company	100%
Atlantis Water Solutions, Inc.	United States/ND	Holding company (Dormant)	100%

Iofina, Inc. was established in February 2006 and is a wholly owned subsidiary of Iofina plc. Iofina, Inc. owns the whole of the issued share capital of Iofina Resources, Inc. and Iofina Chemical, Inc. Other entities are subsidiaries of Iofina Resources, Inc., the iodine production company.

27. Capital commitments

At 31 December 2013, the Group had capital commitments of approximately $3,500,000 (2012: $386,000).

28. Post balance sheet events

Following the reporting date, the Group entered into a modification of the terms of the outstanding $15,000,000 convertible bond with Stena Investment S.à.r.l. The redemption date was extended by two years to 15 May 2017. The coupon on the Bond was reduced to 6.0% per annum from 6.5%. The terms of conversion were modified such that Stena may convert at any time upon 28 days' notice to Iofina at a conversion price of $1.67.

On 18 April 2014 the Group was notified that the preliminary determination of DNRC was to deny the application for water rights. The Group is entitled to a hearing with the State to register its disagreement with the preliminary decision of the DNRC.

29. Contingent Liabilities

During 2013 Iofina Resources was subject to three legal actions. Two of the complaints relate to the operation of one of the Group's production facilities and the claim that the operation of the plant constitutes a nuisance to nearby residents. The Group has responded to the complaint, evaluated the sound emanating from its facility, a neighbouring facility and a nearby highway. Based upon this analysis the Group believes the complaint is without merit. The third complaint is for underpayment of wages to several Group employees. The case is in the discovery phase. The Group is vigorously defending these cases.