



4 December 2012

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

### **Production Update**

Iofina, a specialist in the exploration and production of iodine and specialty chemical iodine derivatives, is pleased to announce a Production Update for the Group which covers the period since Iofina's Interim Results.

#### **KEY OPERATIONAL POINTS:**

- IO#1 iodine production concept proved with 80-94% recovery of the iodine contained in the iodine rich brine recovered;
- Independent analysis of the iodine produced reports favourable results, along with iodine derivatives manufactured using the produced iodine;
- Production is slightly below our initial targets as it has been constrained by a lower-than expected supply of brine which is currently being addressed;
- IO#2 construction is complete and is in the final hook up stage;
- IO#3 currently being fabricated;
- Iofina Natural Gas, Inc. re-branded Iofina Resources, Inc. reflecting our business model;
- Appointment of Joseph Duffy as COO of Iofina Resources, Inc.; and
- Iofina Chemical continues to trade well with full year EBITDA for 2012 on target to be circa £1.3 million exceeding internal projections.

#### **Commenting on the update, Lance Baller, CEO and President, stated:**

"Iodine recovery efficiency results at IO#1 are highly encouraging. Iofina's business strategy is to identify, develop, build, own and operate iodine extraction plants based on Iofina's WET® and IOsorb™ technology. The last twelve months has seen the successful fabrication, completion and commissioning of the Group's new WET® IOsorb™ IO#1 plant, as well as a successful £4.3m placing in challenging global market conditions. The Board is pleased with progress.

Whilst the difficulties regarding lower than expected brine volumes and iodine content at IO#1 are challenging, we are working with the operator to remedy these shortfalls and have already experienced an increase in brine volumes as a result.

The Group is now well-positioned to capitalise on its future objectives for the construction and commissioning of many more successful plants throughout Iofina's targeted regions that contain a vast amount of undeveloped iodine resources. Over the next twelve months it will continue to drive value from all parts of the Group to unlock opportunities and shareholder value."

### **Production update**

WET® IOsorb™ IO#1 plant ("IO#1"), located in its Southwest Operations Group, which started production late in the third quarter, has shown that the iodine production concept is a highly successful process with iodine yield efficiency in the range of 80-94 per cent., a range dependent on brine temperature and iodine part per million contained in the brine. IO#1 has, as expected, provided an excellent staging point to test this technology, and experience based on the last few months of large-scale production have been incorporated into the WET® IOsorb™ IO#2 plant ("IO#2"), where construction is complete and is in the final hook up stage.

IO#1 is currently producing circa one metric tonne (MT) of high grade iodine per week. Production is currently limited by both a shortfall of brine, due to trucking and disposal sites, and issues as to iodine content. The disposal site operator is however working to increase the current average daily brine of 12,800bbls/day to an initial 16,000bbls and soon thereafter to 20,000bbls/day.

Brine in Texas is trucked by the operator from the over 7,000 wells which the operator has in the region, to different disposal sites such as the disposal site where IO#1 is located. Trucked brine to the site in turn is dependent on which wells the operator assigns to the disposal site. Prior to the start of production, the comingled brine stream from wells going to the site ranged from 110ppm to 126ppm of iodine contained. The operator opened bidding to the brine trucking companies nearly thirty days before plant commissioning which changed the mixture of iodine rich brine going to the site. Some wells in the area contained no iodine content and others are circa 200ppm.

Last week the brine volume has already increased to the site. Iofina has, and is, testing the wells around this site and is only requesting wells with the highest iodine content and redirecting the low iodine content brine to other sites. This should increase the current iodine average of circa 70ppm to nearer the 100ppm originally planned. The IO#1 produced iodine which has been sent to Iofina Chemical and manufactured into iodine chemical derivatives. Independent analysis has shown that the iodine derived products and the virgin iodine to be of a very high quality and acceptable for all manufacturing applications currently used at Iofina Chemical.

Operationally, startup issues have centred on common failures relating to the likes of pumps and gaskets, where the specification has now been amended. As expected, some fine tuning of both the quantity and specification of the process chemicals being used has taken place. Winter temperatures and heat loss in the brine through trucking has, as expected, impacted production in the period post summer.

IO#2 located in Oklahoma receives its brine input directly from the producing wells, giving greater certainty as to iodine concentration and higher temperatures, which are greater than 40 degrees Celsius. This helps yield efficiency for volume throughput. Regularly sampling the comingled well feed is showing levels in excess of 200ppm at IO#2. Initial throughput is planned at 15,000bbls/day rising to

24,000bbls/day when the disposal site operator completes the tie-in of a further battery of wells. Further wells will be tied in on a regular basis when wells are drilled and completed. Prior to the operator rebuilding and upgrading the site, the site was disposing of over 30,000bbls per day. All the operator's disposal sites are tied together with brine lines in order to direct flow accordingly. The operator believes volume to this site will exceed our plant capacity of 30,000 bbls per day. The Eastern European pumps that caused issues at IO#1 have been replaced on IO#2 by locally sourced pumps. Going forward, we foresee a significant increase in USA sourced equipment, significantly reducing project lead times.

WET® IOsorb™ IO#3 plant ("IO#3") is currently being fabricated with equipment expected by the end of January 2013. Tenders are about to be sought for WET® IOsorb™ IO#4 plant with options for WET® IOsorb™ IO#5 plant and WET® IOsorb™ IO#6 plant. These tenders will include the possibility to move away from titanium to a more modern and more readily available material. Construction benefits will accrue from utilising on site contractors who have gained experience from IO#1 and IO#2.

### **Corporate Update**

With this ramp up in activities, Iofina is pleased to announce the appointment of Joseph Duffy as Chief Operating Officer ("COO") of Iofina Resources, Inc.. Mr Duffy has degrees in civil, electrical, and chemical engineering as well as hands on experience in plant construction and profit analytical analysis. Mr Duffy also holds an MBA in finance and accounting. Mr Duffy has extensive experience in the design, construction and operation of chemical and pharmaceutical plants. Additional support staff and production staff are being actively recruited to facilitate the rapid growth expected.

Due to our current business model the Group will change its production subsidiary name from Iofina Natural Gas, Inc. to Iofina Resources, Inc. to better reflect our focus of iodine and our non-core assets of water and natural gas production.

### **Iofina Chemical**

Iofina Chemical continues to expand its product line, customer base and worldwide footprint of iodine derived products. Historically the second half of the calendar year produces lower sales than the first half at our chemical business. This year we are experiencing record sales in H2 and record full year sales for the third consecutive year. Iofina Chemical continues to trade well with recognition of its quality products. Full year EBITDA for 2012 is on target to be circa £1.3 million exceeding internal projections. The recycling of iodine using iodinated side-streams from waste chemical processes in Europe, North America and Asia attributed to this strong performance. Iofina Chemical is seeing strong demand on all product lines due to our technical abilities and competitive advantages. Iofina Chemical is realising the benefits of increased iodine supply volume from IO#1, which will be further felt once IO#2 commences production.

### **Water Project – Non-core**

We have recently hired staff to increase our presence in North Dakota and Montana and finalise our water project. Iofina will have more in-depth update on our water project in due course.

**For further information, please contact:**

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**About Iofina**

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