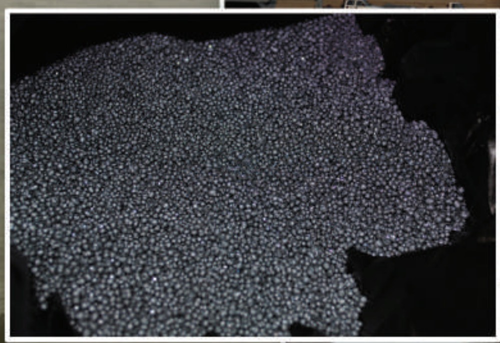
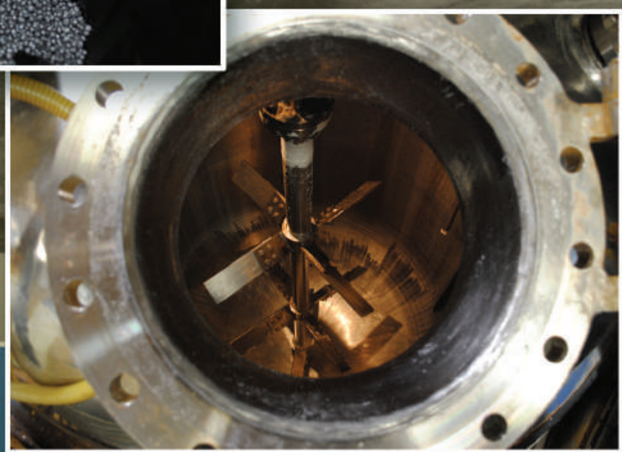
Technology Leaders in Iodine®

IOFINA plc

Annual Report & Accounts 2011

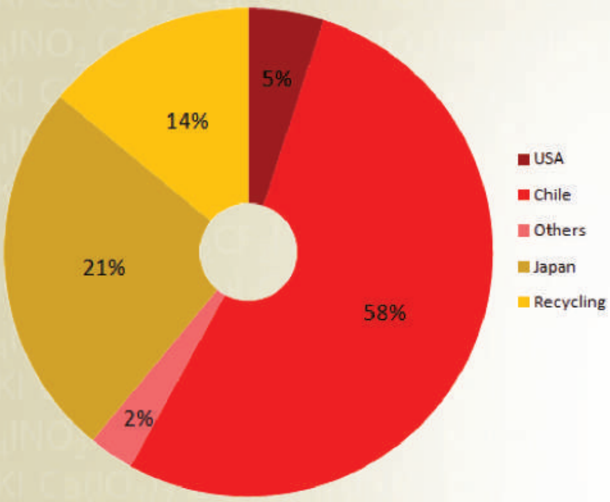




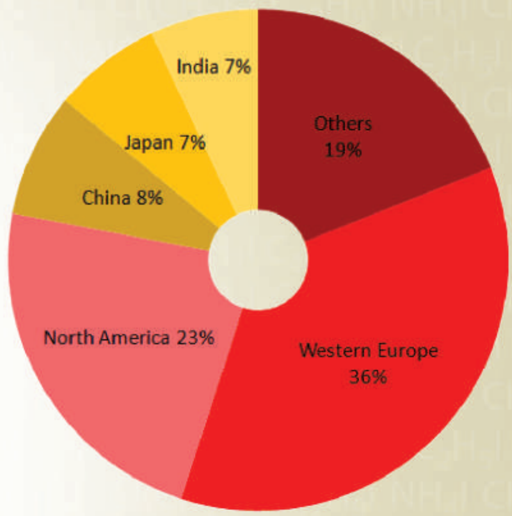
The Iodine Market – continued growth with record pricing

2011 Total Iodine Demand Worldwide – 32,100 MT

Production:



Consumption:



Global iodine supply is dominated by Chile and Japan. The United States only accounts for 5% of the world's iodine production. In 2011, the United States imported 4,600 MTs of iodine to be used to produce iodine derivatives. It is estimated that 83% of iodine imports to the United States came from Chile and 16% came from Japan in the year 2011. Demand for iodine is expected to increase at a rate of 6-6.5% a year over the next decade as demand increases for the production of biocides, iodine salts, liquid crystal displays (LCD), synthetic fabric treatments and x-ray contrast media. As reported by the USGS, the United States experienced more than 99 per cent net import reliance as a percentage of consumption in 2011. With such a high dependency on imports for iodine, the United States presents an ideal opportunity for domestic iodine producers.

Source: USGS

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

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

The iodine derivatives market is estimated to be approximately £4.2 billion per annum.

Contents

IOFINA PLC

COMPANY INFORMATION

Directors	C E Fay, CBE J P Ploen P S Chase-Gardener F D Dorn L J Baller
Secretary	L J Baller
Company number	05393357
Registered office	82 St. John Street London EC1M 4JN
Auditor	Baker Tilly UK Audit LLP 25 Farringdon Street London EC4A 4AB
Nominated Adviser	Investec plc 2 Gresham Street London EC2V 7QP
Broker	Investec plc 2 Gresham Street London EC2V 7QP
Solicitors	Osborne Clarke One London Wall London EC2Y 5EB
Registrar	Capita Registrars 34 Beckenham Road Kent BR3 4TU
Financial PR	Yellow Jersey PR Limited South Building, Upper Farm Wooton St. Lawrence Basingstoke Hants RG23 8PE

CHAIRMAN'S STATEMENT

Introduction

2011 was a mixed year for Iofina, with our success being different to that envisioned early in the period but transformed into a much stronger and scalable business plan. Whilst we did not meet our iodine production guidance in our core business, we did learn several vital lessons that will enable the Company to grow and deliver significant shareholder value going forward. Our mid-stream iodine production technology has now been matured to a level where we are building several units for roll-out in pre-determined areas. We have modified our business plan to focus on targeted geographic regions where we see many larger plants being built, operated more efficiently and producing more favourable economics. The confidence in our technology, geology and operational activity has been coupled with securing many iodine rich brine sites from major oil, gas, and salt water disposal companies in these regions. This achievement has together led to a rollout backlog of large scale sites in 2012. The success was encapsulated in the official launch of our major breakthrough in Iofina's extraction technology in 2011 with the launch of the Iofina's Wellhead Extraction Technology® ("WET®") with IOsorb™. WET® IOsorb™ enables the exploitation of high temperature brine streams with little necessary pre-treatment and results in greater iodine extraction efficiencies. As a first step of the roll-out of the mid-stream business Iofina is currently building its IO#1 plant and IO#2 plant. Iofina anticipates that once commissioned these plants together will produce over 200 metric tonnes (MT) per annum.

Iofina's vertical integration into the end user of iodine specialty chemicals through our Iofina Chemical ("IC") division had a record year in sales. Iofina entered into new iodine chemical derivatives markets with our strong product offering. Sales would have been substantially higher in 2011 if we had additional supplies of iodine in the period. We are optimistic for 2012 as we have had a successful entry into the iodine recycling business and the production from our mid-stream business in 2012.

The Board is also looking forward to developments in our fresh water resource. We have been in extensive, active negotiations with a potential partner and are encouraged by the progress to date and believe that a conclusion is imminent. Additionally, there have been expressions of interest in the deep Bakken potential under our acreage position in Montana.

Operational Update Iodine and Iodine Derivatives

Placing of Shares

We are pleased to announce the Placing (the "Placing") of 11,571,300 new ordinary shares of 1p each (the "Placing Shares") at a price of 37.5p per share (the "Placing Price") to raise £4.339 million (before expenses). The Placing Shares have been placed with existing institutional shareholders by Investec Bank plc, and represent, in aggregate, 10 per cent of the existing issued share capital of the Company being the maximum allowable under the Company's existing authorities.

The Directors explored all forms of non-dilutive financing to fund our WET® IOsorb build out without success due to the tightening of bank financing in the United States. With the uncertainty in the global markets, the Directors believed it was prudent to have the Company fully funded in order to maximise our business plan. Without the Placing, Iofina anticipated slowing down our plant roll out in the second half of 2012. The net proceeds will be used to meet Iofina's funding requirements in relation to the current rollout of the third and fourth plants, iodine leases and to cover accounts receivables up to sixty days due to the anticipated increase in sales from iodine production. Further WET® IOsorb™ plants have a reasonable, accelerated payback based on current economics and thus can be funded out of projected cash flow without decreasing our projected rollout.

The Placing is conditional, *inter alia*, on admission of the Placing Shares to trading on AIM ("Admission"). The Placing Shares will rank *pari passu* in all respects with the existing ordinary shares of the Company. Application will be made for Admission and it is expected that Admission will become effective and that dealings in the Placing Shares will commence at 8.00 a.m. on 1 June 2012. Following completion of the Placing, the Company will have 127,284,407 ordinary shares in issue.

Iodine Outlook

Iodine prices remain firm between $65- $70/kg for large contract users and spot pricing still nears all time highs. Some additional supply was added by the world's largest producer from shut-in production but the producer has been at full capacity for nearly nine months, as other Chilean iodine mines' production declined due to water issues. Just over one year following the Fukushima disaster, Japanese iodine producers have been producing at full capacity since late in the second quarter of 2011 and are unable to bring on any new supply as capacity has been reached. Furthermore, previous iodine extraction industry technology cannot be used on new sites in the US due to by-products not embraced by our clients. Iofina is currently seeing iodine demand outstripping supply and the Board anticipates that the global iodine markets will continue to remain robust in the foreseeable future.

Mid-Stream Third Party Brine Iodine Extraction

The period under review created significant developments within the mid-stream iodine collection and extraction business. Iofina has built a strong reputation and position among many of the top tier oil and gas producers in the US. Iofina is pleased that the Group has secured additional brine contracts with large independent oil and gas producers in 2012. The Group continues to have encouraging discussions with the remaining large independent oil and gas producers within its target areas. Within these areas, the iodine content in the brine is commercially attractive. Further agreements are expected to be signed throughout 2012. As a consequence, Iofina is focusing on producers and site operators who dispose of large volumes of iodine rich brine at multiple sites. This model differs from the past where the emphasis included many small sites. The improved approach achieves economies of scale and compresses the timeline to actual production by deploying multiple units with the same operator. The Group now has a large pipeline of sites and brine streams that it is able to target with a rollout in 2012 and 2013.

Iofina's WET® can quickly and efficiently be deployed to any location and adapt to variations in brine water streams. As a result, Iofina is able to deploy WET® units to producers' sites throughout North America, presenting a mid-stream option to third party producers and a new revenue source from their waste brine streams.

The WET® approach employs two different iodine extraction methods, depending on brine chemistry and temperature for optimal efficiency. This flexibility removes some of the operational issues experienced previously by adapting to the specific characteristics of each operator's brine streams.

The first technology for cold brine streams is a chemical-based method using an anion exchange resin as an absorption media, to which the iodine anions are attracted. It can also be based on a "physical system" that separates out iodine molecules in a physical trap using carbon. This method, which may require pre-filtration, has lower iodine yield efficiency. The second method is called the WET® IOsorb™ method; it is used on larger higher temperature brine streams which may include oil and other impurities.

Iofina larger modular WET® IOsorb™ plants are capable of handling up to 30,000 bpd. These larger plants have a cost of US$1.3 to US$2 million depending on operational requirements, site preparation and electric utilities present. The plants are built to ensure full redundancy, meaning production can be switched across to backup twin components to maintain 24/7 operation for lower down times and high iodine yield efficiency. The design of the larger WET® IOsorb™ plants enables them to be shipped via five standard sea cargo containers that can be deployed through normal railways and roadways. Custom designed plants or multiple modular WET® plants can be used together in the event that a site produces more than a single unit can handle. The self-contained WET® units are crucial to Iofina's ability to extract third party brine streams in a rapid and highly cost effective manner that had not previously been available in the iodine industry.

The Group, as stated, has a large catalog of sites and brine streams to rollout in 2012 and 2013. In addition, and following on from Iofina's success with the large independent producers, the Group is now focused on five targeted geographic areas. Within each geographic location, Iofina anticipates negotiating multiple agreements. Once each agreement is secured, Iofina will progress with a wide area rollout across multiple locations. Iofina is targeting to place larger WET® IOsorb™ plants capable of handling up to 30,000 bpd in order to maximize production, maximize resources, and achieve higher efficiency, while reducing operational cost.

Our WET® IOsorb™ plants are capable of producing between 50mt to over 450mt of iodine per annum each, depending on flow and iodine concentrations at these target locations. Locations with abnormally high concentrations will produce even more iodine than stated above. Having multiple WET® IOsorb™ plants in the same geographic location reduces cost and allows for centralised operations.

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

As mentioned in previous market statements, due to the aforementioned business model realignment, and limited space availability, Iofina redirected the California WET® IOsorb™ plant to a core target geographical location. The California producer's recent drilling programme has resulted in increased brine flows thus requiring more water disposal facilities that further restrict the space available for our WET® IOsorb™ plant. In the next quarter Iofina will review a future rollout of that site with the operator along determining space requirements after the California producer has completed the freehold purchase of adjacent additional real estate. We are working on securing additional mid-stream brine contracts in that target area with other oil and gas operators. Due to higher brine volumes, a larger WET® IOsorb™ iodine plant will be needed for that location.

While this had a significant short term impact on our expected iodine production from this site in late 2011 and early 2012, the current core target areas have more than fifty per cent higher iodine and multiple sites allowing long term upside return for the Group. The Group has named it's first large WET® IOsorb™ plant the IO#1 plant. The IO#1 will be commissioned in the summer 2012 and we plan to commission the IO#2 shortly thereafter. In future market statements the Group will issue more precise commissioning dates.

Intellectual Property

Iofina has a series of patents pending relating to its technology for capturing iodine from iodine-rich brine from wells and converting it into a range of iodine molecules. Iofina is pleased to announce new additional environmental friendly patents are being secured on the portfolio of WET® Iodine extraction. The Company believes it is important to capture this intellectual property to protect the Group's interests and enhance the overall value of our technology.

Iofina Chemical Review

During 2011, Iofina had record sales and successfully entered into new markets with our strong product offering. Iofina made a strategic decision to honour our quoted prices to these new markets while iodine prices were changing rapidly. This practice hurt our profitability in the second half of 2011 but has been important in 2012 with repeat orders, customer loyalty and our reputation with our clients as we rollout new products in 2012. Iofina has targeted a rollout of several new products in 2012 for the iodine industry.

Iofina purchased the freehold of its iodine derivatives manufacturing facilities and administration offices in Covington, Kentucky, USA. Iofina also purchased thirteen acres adjacent to the site to have the potential to expand Iofina's specialty chemicals business further. These purchases bring the total complex to eighteen acres. By purchasing the existing facility, the Group has saved c. US$140,000 on the current lease, plus additional relocation expenditures which would have been incurred as the lease was due to expire in August 2012, as well as production down times and increased inventory to supply customers during the relocation process. The Group has no plan to expand the current site until full capacity is utilised.

As a corporate policy, Iofina promotes wherever possible environmental sustainability in its working practices and seeks to minimise, mitigate or remedy, any harmful effects from the Group's operations on the environment at each of its operational sites. Iofina successfully entered into the iodine recycling business to manage waste streams from chemical, nylon, electronics and pharmaceuticals manufacturing. We currently process iodine from these sources at our Iofina Chemical location.

There are numerous instances where iodine, as well as iodine compounds, is used in the processing of various products where the iodine itself does not remain in the final product. Iodine compounds are used as reaction intermediates because of its high reactivity, but often iodine is not introduced into the target products and therefore is discharged as industrial waste after reaction. These waste streams exist in the form of water solutions and solids. In such waste streams not only is iodine evident, but a myriad of other inorganic and organic substances are also evident. Iofina has recently focused on collecting and recycling iodine from these waste streams in view of its sustainability programme, with the added benefits of reduced iodine costs, service to existing customers and conservation of natural resources.

Similar to the Group's brine streams, there are various types of waste streams and, accordingly, the iodine content and impurities in them differ. Iofina's reproduction of iodine is made possible by utilising proper treatment suited to each type of waste stream based on the Group's own technology and industries expertise. The recycled iodine is then used to produce iodine chemical derivatives.

With the successful addition of the iodine recycling business and large production from our mid-stream business this summer, coupled with the entry of new products, we believe 2012 will be strong year for Iofina Chemical and are forecasting record revenues.

Water Operations

As previously reported, we are working to develop our water assets. Our plan is to process our produced water so that it can be discharged into the Fresno Reservoir. The Group has secured an agreement for beneficial use to purchase water for use in hydraulic fracturing once the water rights are granted, been issued a water discharge permit to store in the adjacent reservoir, proven economics of treatability, and have begun securing our water takeout facilities in both Montana and North Dakota. These events are a significant requirement to finalising the water rights. We are encouraged that the Group will secure a partner on this project. Once secured, a payment on closing will be due to the Group, along with a monthly service fee and milestone option payments. We are applying for water rights in Montana and North Dakota to withdraw the water downstream for industrial use. We believe our mitigation plan of producing a "new source" of water to add to the current water shed will assist in the water rights process.

Deep Zone Potential

We have completed an exploration evaluation of the deeper horizons under our current acreage position, specifically the Bakken/Exshaw, Three Forks and Sawtooth horizons. The shale thickness, especially in the Three Forks, is encouraging for reasonable production of oil. The recent activity in the Williston Basin to the east of the Group's acreage and current drill activity to the west and north have created greater interest in our large acreage holding. The relatively high risk associated with this exploration play demands that, prudently, we seek a partner for any potential development of these deeper rights. We are actively marketing the deeper horizons.

Disposal of non-core assets

Iofina has and is currently disposing of non-core assets to reallocate capital over the Group's revenue producing business lines for better use of capital. To date, most of the disposals have been sold at a gain to current carrying cost to the Group. These targeted disposals will have no impact on the Group's current operations. These disposals include the drilling rig, Montana construction equipment, frac units and cement units and various equipment and items non-core to revenue producing divisions for the Group. The majority of the assets targeted for disposal are from the energy services group which has been outsourced since late 2009.

Conclusion

The Board sees an exciting period ahead with the roll out of the Wet® IOsorb™ iodine rich brine iodine extraction plants. Iofina Chemical maintains its position as a quality supplier of iodine derivative products with foundations in place to expand. The various non-core opportunities, including water sales, in our original Montana acreage should provide additional financial benefits to the Group.

Dr. Chris Fay CBE
Non-Executive Chairman
Iofina plc
25 May 2012

FINANCIAL REVIEW

Iofina reported a loss of £1,647,948 in the year ended 31 December 2011 (2010: loss of £3,328,154). The basic loss per share was 1.47p (2010: loss 3.16p) and no dividend is being declared.

In 2011, the Group has concentrated efforts on maximizing iodine recovery from the mid-stream business locations. With newer technologies in place for 2012, substantial growth is achievable.

At year end the Group had property, plant, and equipment of £5,113,393 (2010: £4,588,596) and deferred exploration costs of £1,993,606 (2010: £2,166,374).

The Group's opening cash position for 2011 was £3,745,945 and the closing position was £4,301,344, an increase of £555,399, mainly due to the issue of shares in the period.

T M Coddington
Finance Director
Iofina plc
25 May 2012

DIRECTORS' BIOGRAPHIES

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

Dr. Fay is the former Chairman of Expro International Group plc, which was sold for £1.8bn to Candover in 2008. Dr. Fay is currently Chairman and non-executive director of Stena International Sarl and Brightside Group plc. Dr. Fay served as Chairman of the S&SD Committee and a member of the Remuneration and Audit Committees for Anglo-American plc from 1999 to 2010. From 1993 to 1998, Dr. Fay was Chairman and Chief Executive of Shell U.K. Limited, a leading integrated oil, gas and chemical company in the UK with a typical net income of £500 million on a turnover of £9 billion per annum, annual CAPEX of £900 million and 7,000 direct staff. Dr. Fay retired from the Shell Group in February 1999 after 30 years' service. Dr. Fay was non-executive director of The Weir Group plc from 2001 to 2003, senior non-executive director of BAA plc from 1998 to 2006, during which BAA was sold for £10.3 billion to the Ferrovial Consortium, and Chairman of ACBE (Government Advisory Committee on Business and the Environment) from 1999 to 2003 where Dr. Fay championed the launch of the UK's Emission Trading Scheme. Educated at Leeds University where he received a BSc and a PhD in civil engineering, Dr. Fay was awarded a CBE in 1999 for services to the gas and oil industry.

Jeffrey P. Ploen, Non-Executive Deputy Chairman

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

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

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

Lance J. Baller, Chief Executive Officer and President

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

Forest Dorn, Executive Director

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

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2011.

Principal activities and review of the business

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

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

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

Key Performance Indicators

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

Key performance indicators

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Revenue from sales of iodine and iodine derivatives	6,858,323	7,380,647
Revenue from non iodine products	3,187,519	1,478,010
Total revenue	10,045,842	8,858,657
Loss before taxation	(1,744,390)	(3,323,192)
Cash and cash equivalents	4,301,344	3,745,945
Ratio of current assets to current liabilities	7.27	5.49

Based on the fact that Iofina is a junior exploration and production company, the Group did not release targets for Key Performance Indicators in either 2011 or 2010.

Principal risks and uncertainties

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

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

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

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

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

Regulation

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

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

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

Results and dividends

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

The directors do not recommend payment of a dividend.

Directors

The directors who served during the year were as follows:

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

Compensation provided to each director was as follows:

	2011			**2010**		
	Salary & benefits £	**Bonus** £	**Total** £	**Salary & benefits** £	**Bonus** £	**Total** £
Dr. Chris E. Fay	60,000	-	60,000	60,000	-	60,000
Jeffrey P. Ploen	25,000	-	25,000	25,000	-	25,000
Paul S. Chase-Gardener	30,000	-	30,000	30,000	-	30,000
Forest D. Dorn *	100,890	-	100,890	103,110	-	103,110
Lance J. Baller	134,075	-	134,075	131,596	3,884	135,480
David J. Schneider **	-	-	-	119,253	-	119,253
Total	349,965	-	349,965	468,959	3,884	472,843

* Appointed 12 January 2010
** Resigned 14 March 2010

No pension contributions were paid on behalf of the directors in the year (2010:nil).
The interests of the directors in the shares of the Company at the end of the financial year and the beginning of the financial year or date of appointment, if later, were as follows:

	31 December 2011	**1 January 2011**
Dr. C E Fay	1,230,000	1,030,000
J P Ploen (1)	9,440,000	9,440,000
P S Chase-Gardener (2)	350,000	350,000
Forest D. Dorn	-	-
L J Baller (3)	9,000,000	9,000,000

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

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

Going concern

In April 2011, the Company raised an additional £2,840,230 (before expenses) of equity funding to pursue opportunities in the mid-stream third party brine operations market. At its current stage of development, the directors consider that the Group does not need to raise additional funds in order to realise its business plan with respect to the Atlantis prospect, mid-stream third party brine operations or specialty chemicals business. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Policy and practice of payments of creditors

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

During the year ended 31 December 2011, the Group, on average, paid its trade creditors within 45 days of receipt of a valid invoice (2010: 45 days).

Post balance sheet events

Following the reporting date, the Group has announced several contracts with independent oil and gas operators to extract iodine from their brine streams. These deals represent a significant new revenue opportunity for the Group. The Group also began to dispose of non-core assets and sold its drilling rig in January 2012 for $742,500.

In May 2012, the Group raised an additional £4,339,000 (before expenses) of equity funding for the Group's working capital requirements in relation to the current rollout of the third and fourth plants, iodine leases and to cover accounts receivables up to sixty days due to the anticipated increase in sales from iodine production.

Directors' responsibilities for the preparation of the financial statements

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

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

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

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

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

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

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

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

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

Statement as to disclosure of information to the auditor

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

Auditor

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

On behalf of the Board

L J Baller
Chief Executive Officer and President
25 May 2012

SOCIAL RESPONSIBILITY STATEMENT

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

Code of conduct

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

Equal opportunity and diversity

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

Employee welfare

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

Joint venture partners, contractors and suppliers

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

Operating responsibly and continuous improvement

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

Environmental policy

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

CORPORATE GOVERNANCE STATEMENT

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

Board structure and committees

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

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

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

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

Remuneration Committee and policy

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

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

Audit Committee

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

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

Relations with shareholders

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

Internal controls

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

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

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

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

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

On behalf of the Board

Lance J. Baller

L J Baller
Chief Executive Officer and President
25 May 2012

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 24 to 57. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2011 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 financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

PAUL WATTS (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
25 May 2012

IOFINA PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Revenue	3	10,045,842	8,858,657
Cost of sales	4	(8,558,039)	(7,553,732)
Gross profit		1,487,803	1,304,925
Administrative expenses	4	(3,254,656)	(4,721,820)
Finance income	6	22,463	93,703
Loss before taxation	4	(1,744,390)	(3,323,192)
Taxation	7	96,442	(4,962)
Loss for the year attributable to owners of the parent		(1,647,948)	(3,328,154)
Other comprehensive income			
Foreign currency differences on translating foreign operations		(28,626)	374,186
Other comprehensive income for the year, net of income tax		(28,626)	374,186
Total comprehensive income for the year		(1,676,574)	(2,953,968)
Basic and diluted loss per share (pence)	8	(1.47)	(3.16)

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED BALANCE SHEET

	Note	31 December 2011 £	31 December 2010 £
Assets			
Non-current assets			
Intangible assets	9	3,821,179	4,250,005
Goodwill	10	2,091,887	2,129,830
Property, plant and equipment	11	5,113,393	4,588,596
Other non-current assets	12	52,821	52,600
Total non-current assets		11,079,280	11,021,031
Current assets			
Trade and other receivables	13	1,329,538	1,201,260
Inventories	14	1,392,681	1,341,446
Cash and cash equivalents	15	4,301,344	3,745,945
Total current assets		7,023,563	6,288,651
Total assets		18,102,843	17,309,682
Equity and liabilities			
Current liabilities			
Trade and other payables	16	966,014	1,145,567
Non-current liabilities			
Deferred tax liability	17	538,020	642,500
Total liabilities		1,504,034	1,788,067
Equity attributable to owners of the parent			
Issued share capital	19	1,157,131	1,051,938
Share premium		23,233,335	20,584,760
Share-based payment reserve		732,659	732,659
Retained earnings		(8,893,445)	(7,245,497)
Foreign currency reserve		369,129	397,755
Total equity		16,598,809	15,521,615
Total equity and liabilities		18,102,843	17,309,682

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 25 May 2012.

Lance J. Baller

L J Baller

Chief Executive Officer and President

Company number: 05393357

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share-based payment reserve	Retained loss	Foreign currency reserve	Total equity
	£	£	£	£	£	£
Balance at 1 January 2010	**1,051,938**	**20,584,760**	**516,884**	**(3,917,343)**	**23,569**	**18,259,808**
Transactions with owners						
Share-based payment	-	-	215,775	-	-	215,775
Total transactions with owners			**215,775**	**-**	**-**	**215,775**
Loss for the year attributable to owners of the parent	**-**	**-**	**-**	**(3,328,154)**	**-**	**(3,328,154)**
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	374,186	374,186
Total other comprehensive income	**-**	**-**	**-**	**-**	**374,186**	**374,186**
Total comprehensive income	**-**	**-**	**-**	**(3,328,154)**	**374,186**	**(2,953,968)**
Balance at 31 December 2010	**1,051,938**	**20,584,760**	**732,659**	**(7,245,497)**	**397,755**	**15,521,615**
Transactions with owners						
New share capital subscribed	105,193	2,735,037	-	-	-	2,840,230
Share issue cost	-	(86,462)	-	-	-	(86,462)
Total transactions with owners	**105,193**	**2,648,575**	**-**	**-**	**-**	**2,753,768**
Loss for the year attributable to owners of the parent	**-**	**-**	**-**	**(1,647,948)**	**-**	**(1,647,948)**
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	(28,626)	(28,626)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(28,626)**	**(28,626)**
Total comprehensive income				**(1,647,948)**	**(28,626)**	**(1,676,574)**
Balance at 31 December 2011	**1,157,131**	**23,233,335**	**732,659**	**(8,893,445)**	**369,129**	**16,598,809**

IOFINA PLC
CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Cash flows from operating activities		
Loss before taxation	(1,744,390)	(3,323,192)
Adjustments for:		
Depreciation and amortisation	1,008,640	862,131
Finance income	(22,463)	(91,510)
Share based payment	-	215,775
Effects of foreign exchange rate changes	(56,934)	92,482
	(815,147)	(2,244,314)
(Increase) in trade and other receivables	(128,278)	(3,765)
(Increase)/decrease in inventories	(51,235)	110,716
Increase/(decrease) in other trade and other payables	179,553	(317,160)
Taxes paid	(8,038)	(4,962)
Net cash outflow from operating activities	(823,145)	(2,459,485)
Cash flows from investing activities		
Interest received, tax refund	1,136	5,049
Acquisition of intangible assets	-	(4,925)
Acquisition of property, plant and equipment	(1,370,032)	(504,508)
Net cash outflow from investing activities	(1,368,896)	(504,384)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	2,840,230	-
Cost of issue of ordinary share capital	(86,462)	-
Net cash inflow from financing activities	2,753,768	-
Net increase/(decrease) in cash and cash equivalents	561,727	(2,963,869)
Foreign exchange (loss)/gain on USD cash balances	(6,328)	49,489
	555,399	(2,914,380)
Cash and cash equivalents at beginning of year	3,745,945	6,660,325
Cash and cash equivalents at end of year	4,301,344	3,745,945

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2011

		31 December 2011 £	31 December 2010 £
Assets			
Investment in subsidiary undertakings	24	10,651,165	10,651,165
Loan to subsidiaries	24	10,413,513	6,613,513
Total non-current assets		21,064,678	17,264,678
Prepayments and other receivables	13	-	106,059
Cash and cash equivalents	15	658,820	2,003,408
Total current assets		658,820	2,109,467
Total assets		21,723,498	19,374,145
Current liabilities			
Trade and other payables	16	69,954	81,083
Total current liabilities		69,954	81,083
Equity attributable to the owners of the parent			
Issued share capital		1,157,131	1,051,938
Share premium		23,233,335	20,584,760
Share-based payment reserve		732,659	732,659
Retained earnings		(3,469,581)	(3,076,295)
Total equity		21,653,544	19,293,062
Total equity and liabilities		21,723,498	19,374,145

The financial statements were approved and authorized for issue by the Board and were signed on its behalf on 25 May 2012.

Lance J. Baller

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

IOFINA PLC
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share based payment reserve	Retained loss	Total equity
	£	£	£	£	£
Balance at 1 January 2010	**1,051,938**	**20,584,760**	**516,884**	**(2,103,031)**	**20,050,551**
Transactions with owners					
Share-based payment	-	-	215,775	-	215,775
Total transactions with owners			**215,775**	**-**	**215,775**
Loss attributable to owners of the parent and total comprehensive income for the year	-	-	-	(973,264)	(973,264)
Balance at 31 December 2010	**1,051,938**	**20,584,760**	**732,659**	**(3,076,295)**	**19,293,062**
Transactions with owners					
New share capital subscribed	105,193	2,735,037	-	-	2,840,230
Share issue cost	-	(86,462)	-	-	(86,462)
Total transactions with owners	**105,193**	**2,648,575**	**-**	**-**	**2,753,768**
Loss attributable to owners of the parent and total comprehensive income for the year	-	-	-	(393,286)	(393,286)
Balance at 31 December 2011	**1,157,131**	**23,233,335**	**732,659**	**(3,469,581)**	**21,653,544**

IOFINA PLC
COMPANY CASH FLOW STATEMENT

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Cash flows from operating activities		
Loss after taxation	(393,286)	(973,264)
Adjustments for:		
Finance income	(1,136)	(2,195)
Share - based payment	-	215,775
	(394,422)	(759,684)
Decrease /(increase) in other receivables and prepayments	106,059	(105,154)
(Decrease)/increase in trade and other payables	(11,129)	11,076
Net cash outflow from operating activities	(299,492)	(853,762)
Cash flows from investing activities		
Interest received	1,136	2,195
Loan to subsidiaries	(3,800,000)	(3,210,096)
Net cash outflow from investing activities	(3,798,864)	(3,207,901)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	2,840,230	-
Cost of issue of ordinary share capital paid	(86,462)	-
Net cash inflow from financing activities	2,753,768	-
Net decrease in cash and cash equivalents	(1,344,588)	(4,061,663)
Cash and cash equivalents at beginning of year	2,003,408	6,065,071
Cash and cash equivalents at end of year	658,820	2,003,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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

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

a) Statement of compliance

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

b) Changes in accounting policies

In the current year, the following new and revised Standards are effective and, where applicable, have been adopted but have not had any material impact on the amounts reported in these financial statements:

IFRS 1	First-time Adoption of IFRS – Amendment; Additional Exemptions for First-time Adopters
IFRS 2	Share-based Payments – Amendment; Cash-settled Share-based Payment Transactions
IAS 32	Financial Instruments: Presentation – Amendment; Classification of Rights Issues
IFRS 1	First-time Adoption of IFRS – Amendment; Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 7	Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets
IAS 24	Revised IAS 24 Related Party Disclosures

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

IFRS 1	First-time Adoption of IFRS – Amendment; Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
IFRS 7	Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets
IFRS 7	Financial Instruments – Disclosure – Amendment; Offsetting Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements

IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 12	Income Taxes – Amendment; Deferred Tax: Recovery of Underlying Assets
IAS 27	Separate Financial Statements (as amended 2011)
IAS 28	Investments in Associates and Joint Ventures (as amended 2011)
IAS 1	Presentation of financial statements - Amendment; Presentation of items of other comprehensive income
IAS 19	Employee Benefits - Amendments
IAS 32	Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Company or the Group.

c) Presentation of financial statements

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

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

d) Revenue recognition

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

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

(i) Sale of goods – specialty chemicals

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

(ii) Sale of goods – natural gas

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

e) Research and development expenditures

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

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

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

Development costs not meeting these criteria for capitalisation are expensed as incurred. In 2011, all research and development expenditures were expensed as incurred.

f) Going concern

In common with many exploration companies, the Group raises finance for its exploration, appraisal and development activities in discrete tranches. Further funding is raised as, and when, required. In April 2011, the Company raised £2,840,230 (before expenses) of equity funding to pursue opportunities in the iodine market. In May 2012, the Group raised an additional £4,339,000 (before expenses) of equity funding for the Group's working capital requirements in relation to the current rollout of the third and fourth plants, iodine leases and to cover accounts receivables up to sixty days due to the anticipated increase in sales from iodine production.

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

g) Basis of consolidation and investments in subsidiary undertakings

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2011. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. The acquisition method of accounting is used to account for the purchase of subsidiaries by the Group. On acquisition, the subsidiary's assets and liabilities are recorded at fair value reflecting their condition at the date of acquisition.

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

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

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

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

h) Business combinations and goodwill

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

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 acquisition cost is recognised in profit or loss immediately after acquisition.

i) Foreign currency

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

Transactions denominated in foreign currencies are 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.

Iofina plc is domiciled in the UK, which is its primary economic environment and the Company's functional currency is Pounds Sterling. The Group's current operations are based in the US and the functional currency of the Group's other entities is the US Dollar.

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

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

j) Intangible assets

Deferred exploration and evaluation costs

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

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

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

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

Other identifiable intangible assets

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

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

Amortisation is included within administrative expenses.

Goodwill

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

k) Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

l) Financial instruments

Financial liabilities

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

Financial assets

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

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

m) Impairment

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

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

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

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

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

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

n) Equity

Equity comprises the following:

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

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

o) Inventories

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

p) Taxation

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

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

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

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 generally 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 Natural Gas segment include the exploration and production of natural gas and iodine. The activities of the Chemical segment include the manufacturing and sale of specialty chemicals.

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

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

2. Significant judgements and estimates

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

The critical estimates made in the preparation of the financial statements are set out below. The resulting accounting estimate may not equal the related actual result:

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

b. On initial recognition in a business combination, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates. Any measurement changes upon initial recognition would affect the measurement of goodwill. See note 9 for details of the significant estimates used in determining these values.

c. Management reviews the useful lives of depreciable and amortisable assets at each reporting date. At 31 December 2011 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 9 and 11. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

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

a. Identification of costs qualifying for capitalisation as exploration and evaluation assets.
b. Revenue policy is clear estimation of fair value of share options granted.

3. Segment reporting

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

Year ended 31 December 2011	Natural Gas £	Chemical £	Unallocated Corporate Expenses £	Total £
Revenue	-	10,045,842	-	10,045,842
Gross profit	-	1,487,803	-	1,487,803
Segment result	(1,329,731)	75,068	(393,285)	(1,647,948)
Year ended 31 December 2010				
Revenue	16,300	8,842,357	-	8,858,657
Gross profit	46,502	1,258,423	-	1,304,925
Segment result	(2,530,567)	175,974	(973,561)	(3,328,154)

	31 December 2011 £	31 December 2010 £
Assets		
Unallocated Corporate (plc)	658,820	2,109,467
Natural Gas	8,557,789	6,583,594
Chemical	8,886,234	8,616,621
Total	**18,102,843**	**17,309,682**
Liabilities		
Unallocated Corporate (plc)	69,954	81,083
Natural Gas	88,353	328,582
Chemical	1,345,727	1,378,402
Total	**1,504,034**	**1,788,067**
Capital expenditure		
Natural Gas	241,924	427,698
Chemical	1,128,108	76,810
Total	**1,370,032**	**504,508**
Depreciation/amortisation		
Natural Gas	621,422	478,541
Chemical	363,199	383,590
Total	**984,621**	**862,131**

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

	31 December 2011 £	**31 December 2010 £**
Assets		
UK	658,820	2,109,467
USA	17,444,023	15,200,215
Total	**18,102,843**	**17,309,682**
Liabilities		
UK	69,954	81,083
USA	1,434,080	1,706,984
Total	**1,504,034**	**1,788,067**

c. **Significant customers -** Iofina Chemical had three significant customers in 2011; one represents 26% of sales, another 21% and the third accounts for 7% of total sales. In 2010, the three significant customers represented 37%, 28% and 7% of the total sales.

4. Loss before taxation

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

	Year ended 31 December 2011 £	**Year ended 31 December 2010 £**
Fees payable to the Company's auditor for:		
Audit of the Company's financial statements		
- Current year	45,000	44,000
- Prior year	19,000	-
Foreign exchange gain	-	(2,193)
Depreciation expense	781,492	658,912
Amortisation expense	227,158	203,219
Share based payments	-	215,775
Operating lease expense	109,224	146,319

Cost of sales – analysis by nature

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Raw materials	7,659,793	6,407,703
Freight	195,830	129,598
Sales commission	31,874	9,294
Labor and manufacturing overhead	670,542	1,007,137
	8,558,039	7,553,732

Administrative expenses – analysis by nature

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Payroll and benefits	1,152,646	1,383,724
Contractors	-	575,449
Rent	94,253	132,512
Professional services	379,942	1,001,190
Insurance	202,043	214,257
Office	62,999	58,950
Travel	134,241	146,752
Property expenditures	6,692	20,702
Share based payments	-	215,775
Research and development	130,250	105,769
Depreciation	781,492	658,912
Amortisation	227,158	203,219
Other	82,940	4,609
	3,254,656	4,721,820

5. Staff numbers and costs

The Group averaged 35 employees for 2011 (2010: 37). Staff cost for these employees, which includes the directors, were:

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Wages and salaries	1,535,508	1,789,503
Social security costs	145,036	153,311
Total staff costs	1,680,544	1,942,814

Of the total staff costs above, £464,104 (2010: £559,090) is included within cost of sales; £1,045,987 (2010: £1,383,724) is included within administrative expenses and £170,453 (2010: £nil) has been capitalised as additions to property, plant and equipment.

Of the total staff costs above, £377,812 (2010: £512,572) was paid to directors (considered to be key management personnel) for their services during the year.

	Year Ending 31 December 2011 £	**Year Ending 31 December 2010 £**
Wages and salaries	349,965	472,843
Social security costs	27,847	39,729
Total directors' cost	377,812	512,572

Included within wages and salaries above is £134,075 (2010: £135,480) in respect of the highest paid director.

6. Finance income

	Year ended 31 December 2011 £	**Year ended 31 December 2010 £**
Bank interest /tax refund	22,463	91,510
Foreign exchange gain	-	2,193
	22,463	93,703

7. Taxation

	Year ended 31 December 2011 £	**Year ended 31 December 2010 £**
Tax expense comprises:		
Current year tax expense		-
Prior year tax expense	8,038	4,962
Deferred tax credit	(104,480)	-
	(96,442)	4,962

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Tax reconciliation:		
Loss on ordinary activities before tax	(1,744,390)	(3,323,192)
Tax at 22% (2010: 22%)	(383,766)	(731,102)
Effects of :		
Losses and other temporary differences not recognised for deferred tax purposes	383,766	731,102
Deferred tax on amortisation of intangibles	(104,480)	-
Adjustment to previous year's tax expense	8,038	4,962
Total tax (credit)/charge	(96,442)	4,962

The Group has accumulated tax losses of approximately £8,990,887 (2010: £7,246,497) carried forward which may be deductible from future taxable profits subject to agreement with the relevant tax authorities.

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

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

8. Loss per share

The calculation of loss per ordinary share is based on a loss attributable to shareholders of £1,647,948 (2010: £3,328,154) and the weighted average number of ordinary shares outstanding of 112,052,933 (2010: 105,193,726). The warrants and options are not dilutive and there is, therefore, no difference between the diluted loss per share and the basic loss per share.

9. Intangible assets

	Deferred exploration costs	WET® patent	Customer relationships	Patent portfolio	EPA registrations	Total
	£	£	£	£	£	£
Cost						
At 31 December 2009	2,115,182	1,639,475	395,720	113,846	164,985	4,429,208
Disposals	(6,243)	-	-	-	-	(6,243)
Exchange differences	57,435	97,740	34,698	6,769	9,810	206,452
At 31 December 2010	2,166,374	1,737,215	430,418	120,615	174,795	4,629,417

Disposals	(136,608)	-	-	-	-	(136,608)
Exchange differences	(36,160)	(25,923)	(5,730)	(1,496)	-	(69,308)
At 31 December 2011	1,993,606	1,711,292	424,688	119,119	174,795	4,423,500
Accumulated amortisation						
At 31 December 2009	-	73,262	26,456	9,514	60,693	169,925
Charge for the year	-	90,679	38,249	11,776	62,515	203,219
Exchange differences	-	2,703	976	351	2,238	6,268
At 31 December 2010	-	166,644	65,681	21,641	125,446	379,412
Charge for the year	-	117,576	43,715	15,040	50,827	227,158
Exchange differences	-	(2,145)	(626)	-	(1,478)	(4,249)
At 31 December 2011	-	282,075	108,770	36,681	174,795	602,321
Carrying amounts						
At 31 December 2009	2,115,182	1,566,213	369,264	104,332	104,292	4,259,283
At 31 December 2010	2,166,374	1,570,571	364,737	98,974	49,349	4,250,005
At 31 December 2011	1,993,606	1,429,217	315,918	82,438	-	3,821,179

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

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

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 useful life of the patent was estimated as 15 years based on the following:

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

Customer relationships

The customer base acquired by Iofina is concentrated, with the top ten customers representing 80 per cent of total sales in 2011. We utilised the discounted cash flow methodology to separately value customer relationships on acquisition according to projected future earnings and cash flows and a discount rate of 18.1 per cent. The useful life was estimated as 10 years according to the following:

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

Patent portfolio

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

EPA registrations

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

10. Goodwill

	Goodwill £
Cost	
At 31 December 2009	**2,065,740**
Exchange differences	64,090
At 31 December 2010	**2,129,830**
Exchange differences	(37,943)
At 31 December 2011	**2,091,887**
Impairment	
At 31 December 2009	**-**
Charges for the year	-
At 31 December 2010	**-**
Charges for the year	-
At 31 December 2011	**-**
Carrying amounts	
At 31 December 2009	2,065,740
At 31 December 2010	2,129,830
At 31 December 2011	2,091,887

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

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

11. Property, plant and equipment

	Freehold Land	Building	Mobile Iodine Extraction Units & Computer Equipment	Plant and machinery	Drilling Equipment & Pipeline	Leasehold Improve-ments	Total
Cost							
At 31 December 2009	**-**	**-**	**113,352**	**953,296**	**3,844,370**	**46,690**	**4,957,708**
Additions	-	-	-	67,951	427,698	8,859	504,508
Exchange differences	-	-	3,087	25,962	104,697	1,272	135,018
At 31 December 2010	**-**	**-**	**116,439**	**1,047,209**	**4,376,765**	**56,821**	**5,597,234**
Additions	134,805	847,490	241,924	145,814	-	-	1,370,033
Exchange differences	(2,402)	(15,020)	(4,381)	(6,004)	(64,184)	(759)	(92,750)
At 31 December 2011	**132,403**	**832,470**	**353,982**	**1,187,019**	**4,312,581**	**56,062**	**6,874,517**
Accumulated Depreciation							
At 31 December 2009	**-**	**-**	**12,991**	**133,705**	**183,950**	**2,068**	**332,714**
Charges for the year	-	-	15,273	416,603	220,938	6,097	658,912
Exchange differences	-	-	404	10,749	5,701	157	17,012
At 31 December 2010	**-**	**-**	**28,668**	**561,057**	**410,590**	**8,322**	**1,008,638**
Charges for the year	-	4,379	87,099	306,559	377,235	6,211	781,482
Exchange differences	-	-	(3,303)	(11,623)	(13,832)	(238)	(28,996)
At 31 December 2011		**4,379**	**112,464**	**855,993**	**773,993**	**14,295**	**1,761,124**
Carrying amounts	-	-					
At 31 December 2009	-	-	100,361	819,591	3,660,420	44,622	4,624,994
At 31 December 2010	-	-	87,771	486,152	3,966,175	48,498	4,588,596
At 31 December 2011	132,403	828,091	241,518	331,026	3,538,588	41,767	5,113,393

12. Other non-current assets

Other non-current assets comprises £52,821 (2010: £52,600) of deposits for real estate leases and cash deposits pledged with government agencies to allow for drilling activity.

13. Trade and other receivables

Group

	31 December 2011 £	31 December 2010 £
Trade receivables	1,034,595	974,725
Other receivables and prepayments	294,943	226,535
	1,329,538	1,201,260

Company

	31 December 2011 £	31 December 2010 £
Prepayments and other receivables	-	106,059
	-	106,059

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

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

14. Inventories

	31 December 2011 £	31 December 2010 £
Inventories	1,392,681	1,341,446
	1,392,681	1,341,446

At year end, there were no provisions against the carrying value of inventories. During the year, the cost of inventories recognised as expense and included in 'cost of sales' amounted to £7,659,793 (2010: £6,407,703).

15. Cash and cash equivalents

Group

	31 December 2011 £	31 December 2010 £
Cash in US Dollar accounts	3,642,524	1,742,537
Cash in GB Sterling accounts	658,820	2,003,408
	4,301,344	3,745,945

Company

	31 December 2011 £	31 December 2010 £
Cash in GB Sterling accounts	658,820	2,003,408
	658,820	2,003,408

16. Trade and other payables

Group

	31 December 2011 £	31 December 2010 £
Trade payables	619,271	601,669
Accrued expenses and deferred income	346,743	543,898
	966,014	1,145,567

Company

	31 December 2011 £	31 December 2010 £
Trade payables	26,279	25,269
Accrued expenses and deferred income	43,675	55,814
	69,954	81,083

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

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

17. Deferred tax liability

	£
At 31 December 2009 and 31 December 2010	642,500
Credit to income for the year	(104,480)
At 31 December 2011	538,020

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

18. Financial instruments

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

Financial assets and liabilities

Group

	Loan and receivables	Financial liabilities carried at amortised cost	Total
2011			
Cash and cash equivalents	4,301,344	-	4,301,344
Receivables	1,034,595	-	1,034,595
			5,335,939
Trade payables	-	(619,271)	(619,271)
Accruals	-	(346,743)	(346,743)
			(966,014)
2010			
Cash and cash equivalents	3,745,945	-	3,745,945
Receivables	1,080,784	-	1,080,784
			4,826,729
Trade payables	-	(601,669)	(601,669)
Accruals	-	(543,898)	(543,898)
			(1,145,567)

Company

2011	Loans and receivables	Amortised cost	Total
Cash and cash equivalents	658,820	-	658,820
Loan to subsidiaries	-	10,413,513	10,413,513
			11,072,333
Trade payables	-	26,279	26,279
Accruals	-	43,675	43,675
			69,954
2010			
Cash and cash equivalents	2,003,408	-	2,003,408
Receivables	106,059	-	106,059
Loan to subsidiaries	-	6,613,513	6,613,513
			8,722,980
Trade payables	-	25,269	25,269
Accruals	-	55,814	55,814
			81,083

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.

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.

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

Group

	2011		2010	
	USD	**Sterling**	**USD**	**Sterling**
Financial assets	6,364,743	658,820	3,942,524	2,068,961
Financial liabilities	1,520,160	88,353	1,159,882	65,560

Company

	2011		2010	
	USD	**Sterling**	**USD**	**Sterling**
Financial assets	-	658,820	-	2,068,961
Financial liabilities	-	81,083	-	65,560

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 is adjusted to take account of the funds available. Given the short term nature of the Group's financial instruments and the current net asset position, liquidity risk is considered minimal at the current time.

Commodity risk

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

19. Share capital

		31 December 2011	31 December 2010
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	115,713,098	105,193,726
	- nominal value	£1,157,131	£1,051,938

During the year ended 31 December 2011, the Company issued 10,519,372 new ordinary shares at a price of 27p per share.

The total number of voting rights in the Company's ordinary shares at 31 December 2011 was 115,713,098 (2010: 105,193,726).

	Number of ordinary shares
At 31 December 2009 and 31 December 2010	**105,193,726**
Issue of shares	10,519,372
At 31 December 2011	**115,713,098**

20. Share based payments

During the year ended 31 December 2010, the Company granted options to employees and directors of the Group over 1,625,000 shares.

The Group expensed to profit or loss a total of nil in 2011 (2010: £215,775) related to these options.

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

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

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

Based on the above, the fair value of each option was estimated at 13 pence. These options vested immediately on grant and therefore the full fair value was recognized as an expense in 2010.

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

	2011	
	Number of warrants/options	**WAEP £**
Outstanding at the beginning and end of the year	2,152,273	0.36
Exercisable at the end of the year	2,152,273	0.36

	2010	
	Number of warrants/options	**WAEP £**
Outstanding at the beginning of the year	527,273	0.54
Granted during the year	1,625,000	0.30
Outstanding at the end of the year	2,152,273	0.36
Exercisable at the end of the year	2,152,273	0.36

21. Related party transactions

The Group has previously obtained consulting services from Water Analysis Technology (WAT, Inc) a corporation owned by the father of David Schneider, the former Group CEO, who resigned in March of 2010. The total paid to WAT, Inc. prior to the CEO's resignation in 2010 was £23,792. The Group has also purchased equipment from Taiji USA, Inc.; a company that the former CEO of the Group has an ownership interest in. The cost of equipment purchased prior to the CEO's resignation in 2010 was £69,563.

In addition, Iofina Chemical leased office space in Kentucky from Schneider Family Real Estate, LLC (SFRE, LLC), a company owned by the family of the former CEO of Iofina PLC. Payments made to SFRE, LLC in 2010 prior to CEO's resignation totalled £33,310.

Michael Schneider, the brother of the former CEO of Iofina PLC, was employed by the Group to perform environmental and management services. His compensation in 2010 was £7,190.

All of the above parties ceased to be related parties on resignation of the former CEO in 2010.

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

	31 December 2011 £	31 December 2010 £
Short-term employee benefits	349,965	472,843
Social security costs	27,847	39,729
Share based payments	-	215,775
Total	377,812	728,347

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

In addition, Iofina Natural Gas Inc. provided the Company with management, financial and administrative services. In the year ended 2011, the Company paid £374,250 (2010: £535,000) for these services.

Amounts owed from these entities are detailed in note 24.

22. Leases

The Group leases space for administrative and manufacturing purposes under one agreement. The remaining life of the lease is 25 months. At the balance sheet date the minimum payments are £67,747 (2010: £151,942) for the next 12 months and £142,971 (2010: £310,728) for the remaining life of the lease. The lease is strictly for the use of improved realty on a stated payment basis and contains no contingent, purchase or renewal clauses.

23. Capital management

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

24. Subsidiary undertakings

Investment in subsidiaries

	Investment in subsidiaries £
Cost and carrying value at 31 December 2009 and 31 December 2010 and 31 December 2011	**10,651,165**

Loan to subsidiaries

	Loans to subsidiaries £
Cost	
Balance at 31 December 2009	**3,403,417**
Additions	3,210,096
Balance at 31 December 2010	**6,613,513**
Additions	3,800,000
Balance at 31 December 2011	**10,413,513**

Subsidiary undertakings

	Country of incorporation and operation	Principal activity	Interest in ordinary shares and voting rights 2011
Iofina, Inc.	United States	Holding company	100%
Iofina Natural Gas, Inc.	United States	Exploration	100%
Iofina Chemical, Inc.	United States	Specialty chemical	100%

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

25. Capital commitments

At 31 December 2011, the Group had capital commitments of £96,702 (2010: £nil).

26. Post balance sheet events

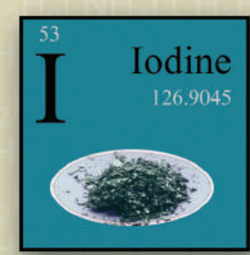
Following the reporting date, the Group has announced several contracts with independent oil and gas operators to extract iodine from their brine streams. These deals represent a significant new revenue opportunity for the Group. The Group also began to dispose of non-core assets and sold its drilling rig in January 2012 for $742,500.

In May 2012, the Group raised an additional £4,339,000 (before expenses) of equity funding for the Group's working capital requirements in relation to the current rollout of the third and fourth plants, iodine leases and to cover accounts receivables up to sixty days due to the anticipated increase in sales from iodine production.

IOFINA PLC
Iofina and the environment

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

This page doe not form part of the statutory financial statements.



Iodine is essential for life and industry.

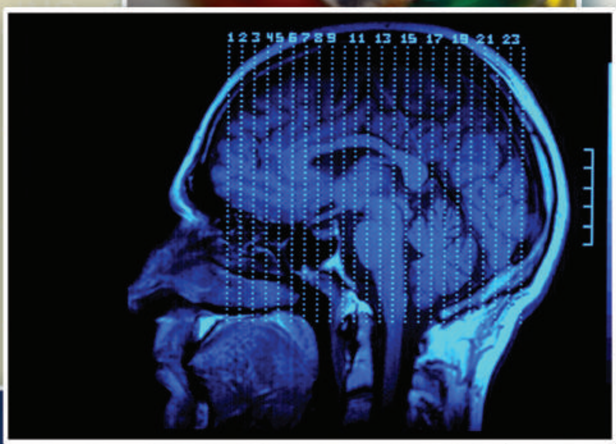
Iodine compounds improve imaging contrast in the body when used with CT scans, MRI's and X-rays helping doctors diagnose patients more effectively.

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

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

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

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



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

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

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

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

Iodine is an essential element touching our lives every day.

Technology Leaders in Iodine®

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