Iofina

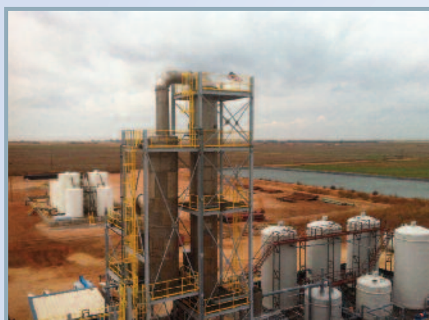
Technology Leaders in Iodine®

IOFINA plc

Annual Report & Accounts 2014

2014: Record production and sales

2013



IO#3: Oklahoma
Commissioned: November 2013

Highlights:

- Completed IO#2 and IO#3 plants, each based on WET® with IOsorb™ technology
- Produced 171 metric tonnes of crystallised iodine
- Achieved production costs of less than $30 per kilogram of crystallised iodine
- Submitted water application permit to the Department of Natural Resources and Conservation ("DNRC")
- Issued a two year, US$15 million convertible bond

2014

IO#5: Oklahoma
Commissioned: July 2014

Highlights:

- Completed IO#4, IO#5 and IO#6, each utilising improved automation design
- Produced 328 metric tonnes of crystallised iodine, a 91 per cent increase compared to 2013
- Developed a turnkey design for anticipated mini WET® IOsorb™ technology plants
- Improved production costs with target of $20 per kilogram of crystallised iodine
- Significantly reduced SG&A costs
- Received preliminary grant from the DNRC to market water in the state of Montana

2015
and beyond

IO#4: Oklahoma
Commissioned: August 2014

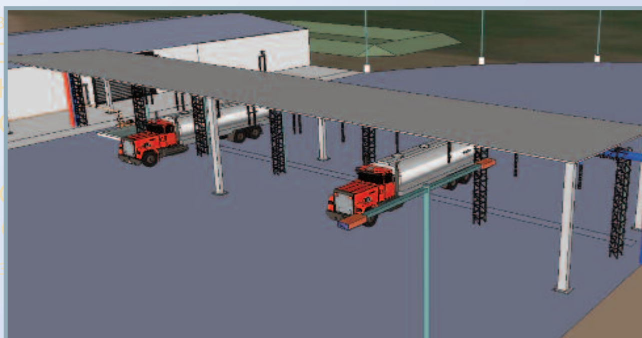
First quarter 2015:

- Produced 127.9 MT, a 172 per cent increase compared to 1Q 2014 (47 MT)
- Continued pursuit of water rights permit in the state of Montana
- Developed plans to focus production in key operational area

2015 expectations:

- 220-260 MT production target for 1H 2015
- Anticipate another year of record production
- Expect determination on water application in Summer of 2015
- Continued reduction in iodine production costs across all plants

Iofina Chemical: Covington, Kentucky



Atlantis Water Depot: Montana (planned)

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COMPANY INFORMATION

Directors	L J Baller T M Becker T M Coddington W D Bellamy
Secretary	Simon Holden
Company number	05393357
Registered office	70 Chancery Lane London WC2A 1AF
Auditor	Baker Tilly UK Audit LLP 25 Farringdon Street London EC4A 4AB
Nominated Adviser	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Brokers	finnCap Ltd 60 New Broad Street London EC2M 1JJ
	GMP Securities Europe LLP 5 Stratton Street London W1J 8LA
Solicitors	Lester Aldridge 70 Chancery Lane London WC2A 1AF
Registrar	Capita Registrars 34 Beckenham Road Kent BR3 4TU
Financial PR	Yellow Jersey PR Limited 33 Stockwell Green London SW9 9HZ

CHAIRMAN'S STATEMENT

The period under review proved to be a year of transition and rebuilding for Iofina, with a complete change of the management team, the Board of Directors and a focus on plant operations based on the Group's Wellhead Extraction Technology® ("WET®") with IOsorb®. The Group completed the construction of three additional plants during 2014 with the last plant (IO#6) online in August 2014. With a total of six plants in operation at the end of 2014, and continued optimisation of production, current raw iodine production rates extend beyond the ever-expanding requirements for raw iodine at Iofina Chemical, and have allowed for some outside sales of iodine in 2014. The Group had record revenues and record production volumes in 2014, while improving efficiencies and at the same time, substantially reducing administrative costs that had surged since H2 of 2013 and early 2014.

Notably, the Company produced a record level of iodine at its IOsorb® plants of 327.7 MT (2013: 171MT) of crystalline iodine for the full year of 2014. In order to achieve this, the Group focused on the resolution of inconsistent production at the Group's current IOsorb® plants to maximise production and reduce costs, which therefore reduced cost/kg of iodine produced. While the Group had executed on a successful cost reduction initiative across the whole Group on items and variables within its control, we were challenged by the uncontrollable variables including declining iodine prices to around $30 per kg at year end 2014. While the Group was aggressive on the cuts it made, the full realised effect was only in the last few months of 2014. Most of the initial cost reduction gains were quickly offset in declines in iodine prices, which led the Group to do further cost reductions.

Additionally, oil prices fell to a 5-1/2-year low that ended the year with their second-biggest annual decline ever. Brent crude ended the year at $57.33 a barrel and U.S. crude at $53.27 a barrel, down 45 percent from a year ago. While oil prices do not affect the Group directly, it affected our partners on their financial stability, direction on drilling plans and field development. These events made it difficult to fully finalise the entire Operational Review that was commissioned in 2014. However, by having this review fully under way, it enabled the Group to react quickly to internal projections.

While the Group had achieved many positive effects of the corporate restructuring and cost reductions in 2014, the lower than expected iodine production, poor production efficiencies especially during new IOsorb® plant start-ups, anticipated lower H2 margins at Iofina Chemical, impairments totalling $2,522,696 on IO#1 and the Atlantis Iodine/Natural Gas Development project and falling iodine prices resulted in a loss of $6,649,132 or $0.052 per share (2013: $3,744,293 or $0.029); loss before impairment of $4,126,436 or $0.032 per share. The Group is continually focused on the operational turnaround that it began at the end of H1 2014, which solely focuses on bottom line profitable and managed growth. While turning around operations has been challenging, moving forward the Group has already realised greater production efficiencies and is well positioned to improve on its performance.

Iofina Resources

Although delays in the completion of IO#5-IO#6 and lower brine levels and parts per million than forecasted by the previous Board of Directors and management resulted in the Group falling short of expected iodine production for the year, Iofina Resources ("IR") produced 327.7MT of crystalline

iodine in 2014 versus 171MT in 2013. At the end of 2014 IR was operating six IOsorb® plants in the states of Texas and Oklahoma. Iofina, as a subsequent event to year end, shut down IO#1 in April 2015. Additionally we have learned several vital lessons applicable to the construction and operation of our plants.

IR has improved efficiencies at all the plants by first improving the efficiencies at one location, then implementing the process at all the plants. This included certain mechanical modifications, such as improved pumping capacity and design, as well as certain process and procedural changes, such as better defined roles and responsibilities at all levels. IR focused strongly on preparing for the cold winter months in order to minimise down time. Enhanced training, employee retention and improved operational systems have resulted in greater efficiencies. On the cost side, we continue to reduce our cost of material used by negotiating long-term chemical sales contracts with preferred vendors to ensure availability and deliverability at the best possible price. Additionally, improved cooperation with our partner oil/gas/brine operators has resulted in increased brine water flow to our plants in late 2014 and into 2015, which also reduces iodine production costs.

With these improvements implemented we have been able to refocus our efforts in exploring new areas for potential iodine deposits. Currently, we are actively acquiring mineral rights in three new areas. These areas show great potential even at today's current iodine prices. Having the capability to utilise the Group's fully designed mobile unit at certain sites will provide the Group greater flexibility. We will continue to validate these deposits through extensive repeat testing. These data will be incorporated into the final analysis to determine the most economic and efficient type of extraction facility to be utilised. The Group will continue securing the rights to these locations through the balance of 2015.

Additionally, IR continues to maintain its leasehold position in the Atlantis Field. This legacy property provides an unique opportunity for the Company. During the first phase of development of the field the Company demonstrated the feasibility to develop the shallow biogenic gas and iodine reserves. The next phase of development will utilise electric submersible pumps (ESP) rather than the gas lift system used in Phase 1. This pump technology has benefited greatly from the development of various shale plays throughout the world. Additionally, the improvement to the Company's WET® technology will also benefit this asset. However, both of these improvements will require additional capital. While the development risk of this asset is low it must compete for capital within the Group. Due to the current price for natural gas and iodine, the economics for this project, while favourable, are not as compelling as investing in additional WET® plants.

The deep Sawtooth and Three Forks/Bakken potential had previously been identified. Additionally IR has identified possible helium potential within the field. IR continues to seek JV partners for these higher risk potential prospects.

Furthermore, the Atlantis Field provides an unique linkage to our Fresh Water Depot (discussed below) in that the full development of Atlantis Field would include a water treatment facility that would process the produced brine water from the field and, under our existing permit, discharge the clean water into the Fresno Reservoir located on the Milk River, which then flows into the Missouri River that is the water source for the fresh water depot. While not required under current regulations, this does provide a mitigation plan that few commercial water depots have. IR would be taking the waste from its gas wells and processing it into fresh water to be added to the Missouri River watershed. This

"sustainability" component to both the gas field and fresh water depot has value to potential JV partners and differentiates the Company from other competitors. While either project can stand on its own, the combined projects do add value. Therefore we continue to maintain the core area of the Atlantis Field through active leasing and to market the exploration potential.

Impairments totalling $2,522,696 on IO#1 and the Atlantis Iodine/Natural Gas Development project assets have been taken and are detailed in the Financial Review.

Iofina Chemical

In 2014, Iofina Chemical ("IC") continued its history of growth, achieving record sales levels with revenues circa 37% higher year-on-year and produced a record amount of kg of goods for the Company. This was achieved even as worldwide iodine prices declined from above $45/kg at the beginning of 2014 to approximately $30/kg by year end. The revenue and profit margins at IC in 2014 were adversely affected by the lower price of iodine, but new and existing product growth in both iodine and non-iodine halogen derivatives helped offset the decline. IC is traditionally a first-half weighted business and this was true in 2014.

IC has a worldwide customer base and is recognised as a strong partner with its customers, providing quality products in a timely manner. IC is a dynamic organization with a reputation for meeting and exceeding individual customers' requirements. The vertical integration of IR iodine through IC provides our customers with stability of supply in the ever changing iodine and iodine derivative marketplace. IC is committed to investing in R&D, and is currently developing new processes for the company in order to offer new products in a safe, efficient and economical manner.

IC has unique technology and continues to process iodine from non-traditional sources. IC and IR together continue to seek out traditional and non-traditional iodine sources for the Company.

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

IC is well positioned for 2015 with the increased production of iodine from IR and an ever-expanding global presence. We anticipate record iodine consumption in 2015 at IC.

Atlantis Water Depot Project

The Company continues to advance its commercial water depot project. In October of 2014, the Company was preliminarily granted its water permit by the Department of Natural Resources and Conservation ("DNRC") of the State of Montana. This permit allows for the diversion of 3,622 acre feet (AF) per year of water for beneficial use, the majority of which will be utilised by oil field services companies for oil field development. During the subsequent public notice period, one objection was deemed valid by the DNRC. A hearing was held on 19 February 2015 to allow the objection to be heard. In the Group's opinion, no new information was presented; thus we believe that the Examiner will grant our permit. We expect a ruling on or before 6 June 2015. Concurrently we are continuing our engineering work and planning. We are having discussions with all the stakeholders in this project to ensure that we incorporate all the information into our final engineering design. The Group continues

to investigate partnerships or other alternatives to best add shareholder value from this project and other Montana assets as described above.

Financing

As indicated in last year's report, the Group renegotiated the US$15 million convertible note with Stena Investment S.à.r.l and extended the redemption date by two years to 15 May 2017 with a reduced rate to 6.0 percent from 6.5 percent. The amended terms allow for conversion at any time upon 28 days' notice to Iofina at a conversion price of $1.67.

Additionally, the Group announced in April 2014 that it completed a US$5 million unsecured convertible bond issued to Panacea Limited. This bond has an annual coupon of 6.0 percent and is convertible to ordinary shares of the Company at a conversion price equivalent to 40 pence. This bond with Panacea was used to strengthen the Company's working capital and mainly provides a mechanism for targeted future expansion possibilities.

Iodine Market

Worldwide market demand for iodine continued to grow in 2014, and the Board expects demand to continue to grow throughout 2015. However, competitive pricing by a few iodine producers in Chile put downward pressure on the price of iodine. Many of these producers are going through challenging times; from government inquiries, receivership filings, tax fraud and other scandals. Lower iodine prices resulted in some producers to shut-in or reduce production at high cost production sites. The production reductions by large iodine producers have resulted in a stabilised price of around $30/kg in Q1-15, down from circa $45/kg in Q1-14. Although the future price of iodine is not certain, the Board expects iodine demand to continue to grow worldwide, especially usage in developing countries, and in applications of X-ray contrast media, LCD screens and specialised applications, and to result in stabilised prices near mid-year of 2015. Current prices are below the historical price trends.

Safety and Environmental Sustainability

As a corporate policy, Iofina promotes health, safety, and environmental sustainability in its working practices and seeks to minimise, mitigate or remedy any harmful effects from the Group's operations on personnel and the environment at each of its operational sites. The Group's core business isolates iodine from brine waters and other industrial streams where otherwise the iodine would be unrealised and wasted. Additionally, Iofina Chemical is a ChemStewards® certified facility. IC's adoption of ChemStewards® represents a commitment to improve its performance through a system of reviews and independent audits. ChemStewards® is an EHS&S program developed by and for the batch chemical manufacturing industry to reflect a focus on continuous improvement of regulatory compliance, customer confidence, community trust and product stewardship.

Outlook

Throughout 2015 and beyond the Group sees many opportunities in our core areas. The continued operational improvements at all current sites will advance our iodine production and provide for improved economics of future operations. The ability to produce iodine derivatives within the Group provides for a source of output in times of oversupply of iodine. In times of iodine shortages this vertical integration allows for Iofina's customers to know that quality IC products will always be

available. With the continued commitment to R&D we anticipate that Iofina will continue to offer new and innovative products in the future in order to meet the growing needs of our customers.

The Group's operational review has resulted in many process efficiencies by focusing our resources on our existing IOsorb® plants. The unexpected large drop of iodine and oil prices in late 2014 has resulted in the Group taking a more conservative expansion and operations approach as part of our review. The Group has identified numerous expansion sites and will gather the necessary data to ensure the Group's goal of being a lower quartile cost iodine producer before committing capital for our next expansion using current full IOsorb® plants or our mobile plants. Another result is the determination to shut down IO#1 as announced in April 2015. Under the current and future modelled brine scenarios of volume and iodine concentration, delivery to IO#1 no longer fits this model, and these resources can be better utilised elsewhere. This also allows the Group to focus its operations resources in one core area. We continue to review our operations on an ongoing basis and are keenly protecting our current resources and vigorously determining the best sites and approach for growth. Additionally, we are actively investigating alternative scenarios where Iofina would be more in control of the iodine-rich brine raw material, and not as dependent on others for delivery of this resource.

Lastly, the continued development and marketing of our non-core projects related to our assets in Montana provide additional upside for the Group.

Lance J Baller
Non-Executive Chairman
Iofina plc
27 May 2015

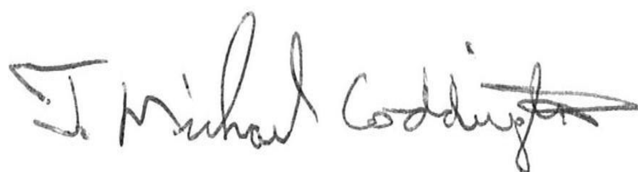
FINANCIAL REVIEW

Iofina, for the year ended 31 December 2014, reported a loss of $6,649,132 or $0.052 per share (2013: $3,744,293 or $0.029); loss before impairment of $4,126,436 or $0.032 per share. No dividend is being declared. The increase in the reported loss can be attributed mainly to the declining price of iodine and impairment charges taken on IOsorb® plant #1 and the Group's natural gas assets in Montana. IR margins were impacted negatively in a declining iodine market. IC margins were impacted, but to a much lesser extent than IR, due to devaluing inventory in a declining market.

Iofina performed its annual impairment review and determined that an impairment write-off was necessary for 2014. The impairment review was based on assessing each project that showed potential indicators of impairment with information available at the balance sheet date. The Group has since announced the closure of the IO#1, and an impairment has been taken to account for the losses that will be incurred with the deconstruction and the remaining book value of the assets minus the salvage value of IO#1. Factors including lower than expected iodine prices and water volumes contributed to the decision to close IO#1. Many of the salvaged assets will be reused at a future site. The total impairment charge for IO#1 is $1,216,427. It became evident in 2014, with the IO#1 reduced water supply and low iodine prices as compared with previous years, these trends would likely continue for the short term. The Atlantis Natural Gas Development Project in Montana has assets that are no longer considered core to the project and will have no future value to the Company. The total impairment charge for this project is $1,306,269, of which $950,785 is for intangible assets and $355,484 is for tangible assets and detailed in Notes 10 and 12. The Group conducted impairment testing in prior years, and no impairment was deemed necessary.

At year end the Group had property, plant, and equipment of $24,050,560 (2013: $21,392,180) and deferred exploration costs of $2,904,535 (2013: $3,600,106).

The Group's opening cash and short term investments position for 2014 was $8,268,755 and the closing position was $6,966,733, a decrease of $1,302,022.



Michael Coddington
Finance Director
Iofina plc
27 May 2015

DIRECTORS' BIOGRAPHIES

Lance J. Baller, Non-Executive Chairman

Mr. Baller was co-founder, CEO and President of Iofina Plc since prior to his departure for health reasons in June 2013. Mr. Baller was the Group's Finance Director from 2007 until his appointment as CEO in 2010. Mr. Baller is the former managing partner of The Elevation Fund and Elevation Capital Management. 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, audit, corporate governance and compensation committees, while on the board of directors of companies in Asia and North America. 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 has served as Chairman to various companies and has led successful restructurings. Mr. Baller is on the board of trustees of Index 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 Index Funds.

Dr. Thomas M. Becker, Chief Executive Officer

Dr. Becker was named President/CEO of Iofina Chemical in March 2010. Previously, Dr. Becker was the Vice President of Research and Development at H&S/Iofina Chemical. Iofina bought H&S in July 2009. Dr. Becker has conducted extensive research in both inorganic and organic halogen based chemistry. Dr. Becker has written a magnitude of published technical papers in his career. Prior to H&S Dr. Becker worked as an Oak Ridge Scholar on behalf of the US EPA and for various other chemical manufacturing companies. Dr. Becker earned a BS in Chemistry from Indiana University, and a PhD in Chemistry from the University of Cincinnati. He has extensive experience in scale-up of chemical processes from laboratory to pilot to full scale production and is the inventor on several chemical patents/patent applications.

Dr. William D. Bellamy, Non-Executive Director

Dr. Bellamy is the former Senior Vice President of the Water Business Group at CH2M HILL, Inc. ("CH2M"), a company he has worked at for 30 years until his recent retirement. CH2M is one of the largest consulting engineering companies in the world, providing leadership and strategic direction for the water business and application of technologies worldwide. Dr. Bellamy has participated in energy and sustainability forums, including as a panellist at the World Future Energy Conference in Abu Dhabi, the World Bank Sustainable Cities Symposium and the Future of Water Economic Forum. Dr. Bellamy serves as Professor of Practice at the University of Wyoming, where he teaches graduate courses and is responsible for securing grants and research funding in the areas of water resources, water treatment and sustainable energy development. Dr. Bellamy has a PhD in Civil Engineering from Colorado State University, an MSc in Civil (Environmental) Engineering from the University of Wyoming and a BSc in Electrical (Bio-Medical) Engineering from the University of Wyoming.

Michael Coddington, Finance Director

Mr. Coddington has 30 years of Accounting and Finance experience in various manufacturing industries. He served as the Group's Finance Director from 2010 until 2013. He was reappointed as

Finance Director in 2014. He began his career in 1980 with Cincinnati Milacron, a world leader in manufacturing of machine tools, and advanced to Accounting Manager of the Electronic Systems Division. In 1990 he joined Printpack, Inc., a manufacturer of printed flexible packaging, as a Plant Finance Controller. In 1995, Printpack created a joint venture company called Orflex Ltd., and Mr. Coddington served as Finance Controller for six years. Orflex Ltd. was acquired by Diversapack LLC in 2001, and he served as Corporate Finance Controller until 2010. In February 2010 Mr. Coddington was hired as CFO of our wholly owned subsidiary, Iofina Chemical, Inc., to strengthen the Finance controls, procedures and budgeting aspects. Mr. Coddington earned a BBA in Finance and Accounting from the University of Cincinnati.

STRATEGIC REPORT

Principal activities and review of the business

Iofina plc ("Iofina" or the "Company") is the holding company of a group of companies (the "Group") involved in the exploration and production of iodine with complete vertical integration into the specialty chemical iodine derivatives business. Iodine in brine water sourced from oil and gas operators is used as a raw material for the production of iodine derivatives at Iofina Chemical. As additional IOsorb® plants come on-line, raw iodine sales outside the Group will ensue.

Iodine is a rare element that is produced only in a few countries in the world, with over 90 percent produced from Chile (60 percent) and Japan (30 percent). Through the Group's wholly owned subsidiary, Iofina Chemical, Inc., the Group is vertically integrated into the iodine derivatives market and the crude iodine sales market. Vertical integration through both production and derivatives results in better margins.

The Group's proprietary Wellhead Extraction Technology® (WET®) and WET® IOsorb® methods enable the co-production of iodine from brine. The directors of the Company believe that Iofina's low cost production strategy will provide excellent gross margins and increasing revenue streams. Sales have increased approximately 37 percent for both iodine based products and non-iodine based products. This proportional increase has allowed Iofina to remain somewhat diversified. This diversification has been significant to the business, especially in a declining iodine market. Production was very strong with a 54 percent increase in pounds produced of finished product and a 92 percent increase of crystalline iodine.

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 2014 $	Year ended 31 December 2013 $
Revenue from sales of iodine and iodine derivatives	17,669,865	12,873,000
Revenue from non-iodine products	8,179,062	6,058,230
Total revenue	25,848,927	18,931,230
Total pounds of product shipped	1,942,000	1,261,000
Metric tonnes of crystallised iodine produced	328	171
IOsorb® plants in operation (year-end)	6	3

Objectives

At the end of 2014 the Group has six operating iodine production facilities. While the theoretical capacity of these plants is very high, the practical capacity of the plants is somewhat lower. Practical capacity takes into account multiple causes of downtime, including weather, repairs and maintenance, inadequate brine (low parts per million of iodine, heavily contaminated brine or little to no supply),

power outages and other conditions. Continued operating experience will result in more accurate practical capacity operating targets as well as techniques for maximising practical capacity.

In 2014 the primary focus was to maximise production from the significant capital investments made over the past year. The Group is working to increase revenue from the sale of iodine derivatives and possibly will need to sell the iodine produced in excess of the iodine requirements needed for the production of those derivatives. The Group did have its first outside sales of iodine in 2014 totalling $750,132.

Future growth in production capacity will likely be a combination of full IOsorb® plants, relocation of underperforming plants, and from the Group's IOsorb® mini-plant, which is fully designed. These mini-plants are engineered for a lower total facility cost per barrel of water processed, and can be targeted on locations with higher concentrations of iodine in the local brine water. These mini-plants also can be more easily relocated in the event financial returns can be increased by relocation of the units. IOSorb® plant#1 will permanently close in 2015 and relocate to a site that is more productive and profitable; that site has not yet been determined. An impairment has been recognised due to the poor production and profitability that started in 2014.

The Group continues to develop its Atlantis Water Depot project; its permit was preliminarily granted in 2014 and is now awaiting an objection ruling, which the Group believes has a low likelihood of adversely affecting the project. Work to obtain rights of way, land acquisition/leasing and other plans are already in progress. The Atlantis Water Depot project would provide approximately 3,622 acre feet (AF) per year of water for industrial use near the proposed water depot site. The primary customer for the water will be the oil and gas industry for use in hydraulic fracturing as well as potentially providing a backup water supply for local municipalities.

The Atlantis Water Depot project is separate from the Atlantis Iodine/Natural Gas Development Project. The Development Project has a significant amount of assets associated with it; the Water Depot has a very small amount of capital investment at this time and is not part of the Montana impairment.

Assuming a favourable ruling for the Group, financing will be required for the project. Such financing could be obtained through multiple channels, including joint ventures with others.

Principal risks and uncertainties

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

> **Exploration:** Exploration for resources involves significant risk. There is no assurance that commercial quantities of resources can be recovered from the Group's current acreage or that resources will be discovered from the Group's future acreage. The Company continues to evaluate opportunities to integrate its IOSorb® process into its own oil and gas operation, as well as others throughout the world. By continuing an aggressive water testing program and active exploration utilising geology and data analytics, we are constantly evaluating new potential locations for iodine extraction.

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 that 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. An additional environmental risk is the increase of seismic activity in the central USA. While there has been no absolute correlation between seismic activity and the increase of oil/gas production and brine disposal activities, the Group is closely monitoring this risk and is positioning itself to react to any changes in the production or disposal of the Group's brine source.

Price volatility: The demand for, and prices of, iodine and natural gas are highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, the price and availability of alternatives, actions taken by governments and international cartels and global economic and political developments. International prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in iodine and natural gas prices and, in particular, a material decline in the price of iodine and natural gas would have a material adverse effect on the Group's business, financial condition and operations assuming production is achieved by the Group's production and exploration activities. Declining iodine prices have had a significant impact on the profit margins in 2014. Current, and historically low, gas and oil prices have prevented us from capitalising on the oil and gas rich properties in Montana.

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 of its customers to develop strong relationships, with a significant focus on ensuring that its products and services meet the needs of its customers and are of the highest quality. In 2014, 36 percent (2013: 49 percent) of revenue recognised was attributable to one long term customer, a distributor. Relations with this customer are good.

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

Any failure by Iofina to comply with applicable government regulations could result in non-compliant portions of our operations being shut down, product recalls or impositions of civil

and criminal penalties and, in some cases, prohibition from distributing our products or performing our services until the products and services are brought into compliance, which could significantly affect our operations.

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

Going concern

The Group has historically completed equity and debt offerings to fund its developmental and growth activities as required. Major capital projects, IOsorb® plants #4, #5, and #6, were completed in 2014, but did not generate the expected cash flows due to the drop in iodine pricing. Iofina Chemical was able to generate significant cash, which helped to offset this shortfall. The Water Depot project in Montana has significant potential and should provide income once a path is decided.

In 2014, 36 percent (2013: 49 percent) of revenue recognised was attributable to one long term customer, a distributor. Relations with this customer remain good.

In May 2014, the Group raised $5.0 million of funding through a convertible note in order to complete future capital projects. 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. The Group has prepared forecasts and projections that indicate there are adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the board

Lance J. Baller
Non-Executive Chairman
Iofina plc
27 May 2015

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2014.

Strategic report

In accordance with S414C (11) of the Companies Act: included in the Strategic Report on pages 12 to 15 is the review of the business and principal risks and uncertainties. This information would have otherwise been required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report.

Post balance sheet events

On 15 April 2015, Iofina announced plans to shut down the IOsorb® plant #1 located in Texas. This was the first IOsorb® plant constructed and was the prototype for the remaining 5 IOsorb® plants. The lack of brine water volume at the site and the current iodine price were the main determining factors in making this decision. The closure of the plant will not have a significant impact on the overall iodine production of the Group in 2015. Management has performed an impairment analysis on assets at balance sheet date with potential indicators of impairment, including IO#1. There will be an impairment cost of $1,216,427 associated with IO#1 recognised in 2014 and detailed in Note 12.

Directors' responsibilities for the preparation of the financial statements

The directors are responsible for preparing the Strategic Report and 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 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 plc website.

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

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

Results and dividends

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

The directors do not recommend payment of a dividend.

Financial instruments and risk management

Note 14 details the risk factors for the Group and the degree to which it is appropriate to use financial instruments to mitigate risks.

Directors

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

Dr. Chris E. Fay CBE, Non-Executive Chairman, retired 31 March 2014
Jeffrey P. Ploen, Non-Executive Deputy Chairman, resigned 16 December 2014
Paul S. Chase-Gardener, Non-Executive Director and Chairman of the Audit Committee, resigned, 27 April 2014
George E. Lantz, former Chief Executive Officer and President, resigned 25 April 2014
Forest D. Dorn, Executive Director, did not stand for re-election at 10 June 2014 AGM
Gary Gatchell, Finance Director, Executive Director, resigned 25 April 2014
Lance J. Baller, Non-Executive Chairman, appointed 10 April 2014
Dr. William D. Bellamy, Non-Executive Director, appointed 20 March 2014
Dr. Thomas M. Becker, Chief Executive Officer and President, appointed 5 September 2014
T. Michael Coddington, Finance Director, Executive Director, appointed 28 April 2014

Statement as to disclosure of information to the auditor

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

as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

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

On behalf of the Board

Dr. Thomas M. Becker

Chief Executive Officer and President
27 May 2015

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company ("Board") acknowledges that adhering to rules of good corporate governance is in the best interests of the Company and its shareholders. Although the Company is not required to comply with the UK Corporate Governance Code (formerly the Combined Code) published by the Financial Reporting Council in September 2012, all the Directors remain committed to high standards of corporate governance and consider that the Board progressively adopts best practices. Although the Company does not apply the full requirements of the UK Corporate Governance Code, the following sections describe how the Board has applied the principles of the UK Corporate Governance Code that they consider relevant to a company of their size and stage of development

Board structure and committees

The Board currently comprises of two executive directors and two 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 Finance Director, and one other non-executive director.

Remuneration Committee and policy

The Remuneration Committee is composed of two non-executive directors: L J Baller (Chairman), and W D Bellamy. It is responsible for the terms and conditions and remuneration of the executive directors and senior management. The Remuneration Committee's policy is that directors' remuneration be commensurate with services provided by them to the Company. The Remuneration Committee may consult external agencies when ascertaining market salaries. All matters concerning the remuneration of executive directors, including the award of bonuses and share options, are considered by the Remuneration Committee.

The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board. No director or member of the senior management is permitted to participate in discussions

or decisions concerning his own remuneration. A member of the Remuneration Committee will be available at the AGM to answer any shareholder questions.

Audit Committee

The Audit Committee is comprised of two non-executive directors: L J Baller (Chairman) and W D Bellamy. The Committee monitors the adequacy of the Group's internal controls and provides the opportunity for the external auditor to communicate directly with the non-executive directors.

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

Relations with shareholders

The Group gives high priority to its communication with shareholders by means of an active investor relations programme. This is achieved through correspondence and extensive corporate information. In addition, the Group visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports from the Group's head office and on its website. At the AGM the shareholders are given the opportunity to question members of the Board.

Internal controls

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

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

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

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

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

SOCIAL RESPONSIBILITY STATEMENT

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

of the policies in place that guide the Group and its employees when dealing with social, environmental and ethical matters in the workplace.

Directors' remuneration provided to each director was as follows:

	2014			2013		
	Salary	**Bonus**	**Total $**	**Salary**	**Bonus**	**Total $**
Dr. Chris E. Fay	35,430		35,430	125,778	-	125,778
Jeffrey P. Ploen	12,205		12,205	67,880	-	67,880
Paul S. Chase-Gardener	12,505		12,505	45,919	-	45,919
Forest D. Dorn	66,346		66,346	150,000	-	150,000
George Lantz	77,814		77,814	56,575	-	56,575
Gary Gatchell	76,307		76,307	66,667	-	66,667
Lance Baller	5,123		5,123	103,600	50,000	153,600
Stewart M. Eaton	-		-	39,930		39,930
Dr. Thomas M. Becker	61,487		61,487	-	-	-
Michael Coddington	79,214		79,214	-	-	-
William Bellamy	-	-	-	-	-	-
Total	426,431		426,431	656,349	50,000	706,349

No pension contributions were paid on behalf of the directors in 2013 or 2014.

The interests of the directors in office as at 31 December 2014 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 2014	**1 January 2014**
L J Baller (1)	4,500,000	4,500,000
Dr. T M Becker	-	-
T M Coddington	21,000	-
W D Bellamy	-	-

(1) Comprised of beneficial ownership of shares.

In addition to these shares, Dr. C E Fay was granted options for 100,000 shares on 9 May 2008 with an exercise price of 55 pence, 250,000 shares on 2 July 2010 with an exercise price of 30 pence, and 250,000 shares on 6 November 2013 with an exercise price of 163 pence. P S Chase-Gardener was granted options for 100,000 shares on 9 September 2008 with an exercise price of 55 pence. F D Dorn was granted options for 350,000 shares on 2 July 2010 with an exercise price of 30 pence. Gary Gatchell was granted options for 300,000 shares on 3 September 2013 with an exercise price of 146 pence. George E Lantz was granted options for 150,000 shares on 19 September 2013 with an exercise price of 151 pence. In addition, Mr. Baller and Mr. Ploen have each issued an option grant to Mr. Lantz for 125,000 shares with an exercise price of 151 pence. Dr. T M Becker was granted options for 250,000 shares on 2 July 2010 with an exercise price of 30 pence. T M Coddington was granted 100,000 shares on 2 July 2010 with an exercise price of 30 pence. No other director has any interests in options

in the Company. No directors exercised options in 2014. The impact on the results of share options issued to the directors is set out in note 5.

On behalf of the Board

Dr. Thomas M. Becker
Chief Executive Officer and President
27 May 2015

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 25 to 64 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 set out 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 Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent's affairs as at 31 December 2014 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

PAUL WATTS (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
27 May 2015

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Revenue	3	25,848,927	18,931,230
Cost of sales	4	(23,207,595)	(15,830,233)
Gross profit		2,641,332	3,100,997
Administrative expenses	4	(5,375,630)	(6,155,531)
Impairment expense	4	(2,522,696)	-
Finance expense	6	(1,450,882)	(764,352)
Finance income	7	2,385	14,593
(Loss) before taxation	4	(6,705,491)	(3,804,293)
Taxation	8	56,359	60,000
(Loss) for the year attributable to owners of the parent		(6,649,132)	(3,744,293)
Other comprehensive income			
Items that may subsequently be reclassified through profit or loss			
Foreign currency differences on translating foreign operations		32,368	142,783
Other comprehensive income for the year, net of income tax		32,368	142,783
Total comprehensive income for the year attributable to equity holders of the parent		(6,616,764)	(3,601,510)
Basic and diluted loss per share $ attributable to equity holders of the parent	9	(.052)	(.029)

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

GROUP CONSOLIDATED BALANCE SHEET

	Note	31 December 2014 $	31 December 2013 $
Assets			
Non-current assets			
Intangible assets	10	5,009,249	5,973,745
Goodwill	11	3,087,251	3,087,251
Property, plant and equipment	12	24,050,560	21,392,180
Total non-current assets		32,147,060	30,453,176
Current assets			
Inventories	13	3,552,232	6,902,227
Investments	14	-	6,198,821
Trade and other receivables	15	3,918,010	2,630,051
Cash and cash equivalents	16	6,966,733	2,069,934
Total current assets		14,436,975	17,801,033
Total assets		46,584,035	48,254,209
Equity and liabilities			
Current liabilities			
Trade and other payables	17	3,290,734	3,718,171
Deferred Consideration		120,000	-
Total current liabilities		3,410,734	3,718,171
Non-current liabilities			
Deferred tax liability	18	664,954	721,313
Deferred consideration	19	240,000	400,000
Convertible note	20	18,780,750	14,608,674
Total liabilities		23,096,438	19,448,158
Equity attributable to owners of the parent			
Issued share capital	21	2,292,683	2,288,106
Share premium		48,991,647	48,919,023
Share-based payment reserve		1,634,390	1,728,798
Equity reserve		1,885,289	569,771
Retained earnings		(25,402,233)	(18,753,101)
Foreign currency reserve		(5,914,179)	(5,946,546)
Total equity		23,487,597	28,806,051
Total equity and liabilities		46,584,035	48,254,209

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 May 2015.

Dr. Thomas M. Becker
Chief Executive Officer and President
Company number: 05393357
The accompanying notes form part of these financial statements.

GROUP CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the parent						
	Share capital	Share premium	Share-based payment reserve	Equity reserve	Retained earnings	Foreign currency reserve	Total equity
	$	$	$	$	$	$	$
Balance at 1 January 2013	2,288,106	48,919,023	1,136,150	-	(15,008,808)	(6,089,329)	31,245,142
Transactions with owners							
Share-based expense	-	-	592,648	-	-	-	592,648
Equity component of note	-	-	-	569,771	-	-	569,771
Total transactions with owners	-	-	592,648	569,771	-	-	1,162,419
Loss for the year attributable to owners of the parent	-	-	-	-	(3,744,293)	-	(3,744,293)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	-	-	-	142,783	142,783
Total other comprehensive income	-	-	-	-	-	142,783	142,783
Total comprehensive income attributable to owners of the parent	-	-	-	-	(3,744,293)	142,783	(3,601,510)
Balance at 31 December 2013	2,288,106	48,919,023	1,728,798	569,771	(18,753,101)	(5,946,546)	28,806,051
Transactions with owners							
Share issue	4,577	72,624	-	-	-	-	77,201
Share issue Cost	-	-	-	-	-	-	-
Equity component of note	-	-	-	1,315,518	-	-	1,315,518
Share-based payment			(94,408)				(94,408)
Total transactions with owners	4,577	72,624	(94,408)	1,315,518	-	-	1,298,311
Loss for the year attributable to owners of the parent					(6,649,132)		(6,646,132)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	-	-	-	32,367	32,367
Total comprehensive income attributable to owners of the parent	-	-	-	-	(6,649,132)	32,367	(6,616,765)
Balance at 31 December 2014	2,292,683	48,991,647	1,634,390	1,885,289	(25,402,233)	(5,914,179)	23,487,597

GROUP CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Cash flows from operating activities		
Loss before taxation	(6,705,491)	(3,744,294)
Adjustments for:		
Depreciation	1,732,751	1,191,273
Amortisation	268,375	268,375
Impairment	2,522,696	-
Share based (credit)/expense	(94,408)	592,648
Finance income	(2,385)	(14,593)
Unwinding of discount on convertible note	550,434	178,445
	(1,728,028)	(1,528,146)
(Increase)/decrease in trade and other receivables	(1,287,959)	2,203,671
Decrease/(increase) in inventories	3,349,995	(2,846,409)
(Increase)/decrease in trade and other payables	(530,297)	1,688,387
Net cash outflow from operating activities	(196,289)	(482,497)
Cash flows from investing activities		
Interest received	2,385	14,593
Acquisition of intangible assets	(254,644)	(453,179)
Acquisition of property, plant and equipment	(5,963,042)	(11,673,611)
Investment purchases	-	(10,044,959)
Investment sales and maturities	6,198,821	3,846,139
Net cash outflow from investing activities	(16,480)	(18,311,017)
Cash flows from financing activities		
Proceeds from issuance of convertible note	5,000,000	15,000,000
Proceeds from the issue of ordinary share capital		-
Cost of issue of ordinary share capital	77,201	-
Net cash inflow from financing activities	5,077,201	15,000,000
Net decrease in cash and cash equivalents	4,864,432	(3,793,514)
Effects of foreign exchange	32,367	142,784
	4,896,799	(3,650,730)
Cash and cash equivalents at beginning of year	2,069,934	5,720,664
Cash and cash equivalents at end of year	6,966,733	2,069,934

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	31 December 2014 $	31 December 2013 $
Assets			
Investment in subsidiary undertakings	26	17,199,362	17,199,362
Loan to subsidiaries	26	40,852,019	37,184,466
Total non-current assets		58,051,381	54,383,828
Trade and other receivables	15	15,019	10,223
Cash and cash equivalents	16	47,790	207,544
Total current assets		62,809	217,767
Total assets		58,114,190	54,601,595
Current liabilities			
Trade and other payables	17	217,417	186,354
Total current liabilities		217,417	186,354
Non-current liabilities			
Convertible note	20	18,780,750	14,608,674
Total liabilities		18,998,167	14,795,028
Equity attributable to the owners of the parent			
Issued share capital	21	2,292,683	2,288,106
Share premium		48,991,647	48,919,023
Share-based payment reserve		1,634,390	1,728,798
Equity reserve		1,885,289	569,771
Retained earnings		(9,958,793)	(7,971,167)
Foreign currency reserve		(5,729,193)	(5,727,964)
Total equity		39,116,023	39,806,567
Total equity and liabilities		58,114,190	54,601,595

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 May 2015.

Dr. Thomas M Becker
Chief Executive Officer and President
Company number: 05393357

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share based payment reserve	Equity reserve	Retained earnings	Foreign currency reserve	Total equity
	$	$	$	$	$	$	$
Balance at 1 January 2013	2,288,106	48,919,023	1,136,150	-	(5,943,325)	(5,720,414)	40,679,540
Transactions with owners							
Share-based expense	-	-	592,648	-	-	-	592,648
Equity component of note	-	-	-	569,771	-	-	569,771
Total transactions with owners	-	-	592,648	569,771	-	-	1,162,419
Loss attributable to owners of the parent and	-	-	-	-	(2,027,842)	-	(2,027,842)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	-	-	-	(7,550)	(7,550)
Total comprehensive income for the year	-	-	-	-	-	(7,550)	(7,550)
Balance at 31 December 2013	2,288,106	48,919,023	1,728,798	569,771	(7,971,167)	(5,727,964)	39,806,567
Transactions with owners							
Share issue	4,577	72,624	-	-	-	-	77,201
Share issue cost	-	-	-	-	-	-	-
Equity component of note	-	-	-	1,315,518	-	-	1,315,518
Share-based payment	-	-	(94,408)				(94,408)
Total transactions with owners	4,577	72,624	(94,408)	1,315,518	-	-	1,298,311
Loss attributable to owners of the parent	-	-	-	-	(1,987,626)	-	(1,987,626)
Other comprehensive income							
Exchange differences on translating foreign operations	-	-	-	-	-	(1,229)	(1,229)
Total comprehensive income for the year							
Balance at 31 December 2014	2,292,683	48,991,647	1,634,390	1,885,289	(9,958,793)	(5,729,193)	39,116,023

COMPANY CASH FLOW STATEMENT

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Cash flows from operating activities		
Loss before taxation	(1,987,626)	(2,027,842)
Adjustments for:		
Finance income	-	-
Share based (credit)/expense	(94,408)	592,648
Unwinding of discount on convertible note	550,434	178,445
	(1,531,600)	(1,256,749)
Increase in other receivables and prepayments	(4,796)	(7,484)
(Decrease)/increase in trade and other payables	(33,006)	36,956
Net cash outflow from operating activities	(1,569,402)	(1,227,277)
Cash flows from investing activities		
Interest received		-
Loan to subsidiaries	(3,667,553)	(14,551,233)
Net cash outflow from investing activities	(3,667,553)	(14,551,233)
Cash flows from financing activities		
Proceeds from issuance of convertible note	5,000,000	15,000,000
Proceeds from the issue of ordinary share capital	77,201	-
Net cash inflow from financing activities	5,077,201	15,000,000
Net decrease in cash and cash equivalents	(159,754)	(778,510)
Cash and cash equivalents at beginning of year	207,544	986,054
Cash and cash equivalents at end of year	47,790	207,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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

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

a) Statement of compliance

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

b) New standards and interpretations

New standards, amendments to published standards and interpretations to existing standards effective in 2014

Standard	Standard description	Date of adoption	Impact on initial application
IAS 32	Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities	1 Jan 14	Provides guidance on the meaning of "a legally enforceable right of set off" and situations where gross settlement systems may be considered equivalent to net settlement.
IAS 39	Financial Instruments: Recognition and Measurement – Amendment: Novation of Derivatives and Continuation of Hedge Accounting	1 Jan 14	Narrow-scope amendment to allow hedge accounting to continue when a derivative designated as a hedging instrument is novated from one party to a central counterparty as a result of laws or regulation.
IAS 36	Impairment of Assets – Amendment; Recoverable Amount Disclosures for Non-Financial Asset	1 Jan 14	Now only requires disclosure of recoverable amount when an impairment loss is recognised or reversed in the period in respect of an individual asset or CGUs, and requires disclosure of the fair value hierarchy levels and, for levels 2 and 3, the valuation technique and key assumptions used, when that recoverable amount is based on fair value less costs of disposal.
IAS 27	Separate Financial Statements (amended 2011)	1 Jan 14	Largely replaced by IFRS 10 but retains existing guidance on group reorganisations where a new parent entity is established

			and sets out disclosure requirements in separate financial statements.
IAS 28	Investments in Associates and Joint Ventures (amended 2011)	1 Jan 14	Requires joint ventures and associates to be equity accounted.
IFRS 10	Consolidated Financial Statements	1 Jan 14	Replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". Retains the principle of control, but redefines control and provides further guidance on how to apply the control principle.
IFRS 11	Joint Arrangements	1 Jan 14	Replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and establishes consistent principles for all types of jointly controlled arrangements. Retains a similar definition of joint control but clarifies that a joint arrangement will be either a "joint operations" or a "joint venture".
IFRS 12	Disclosure of Interests in Other Entities	1 Jan 14	Applies to entities with interests in subsidiaries, joint arrangements, associates and other unconsolidated structured entities and sets out disclosures in respect of such entities.
IFRS 10, IFRS 11, IFRS 12	Consolidated Financial Statements, Joint Arrangements, Disclosure of Interest in Other Entities – Amendment; Transition Guidance	1 Jan 14	Clarifies reliefs from the presentation or adjustment of comparative information.
IAS 27	Separate Financial Statements – Amendment; Investment Entities	1 Jan 14	Requires an investment entity to account for particular investments in its separate financial statements at fair value through profit and loss and provides guidance on accounting when investment entity status changes.
IFRS 10	Consolidated Financial Statements – Amendment; Investment Entities	1 Jan 14	Requires an investment entity to measure particular subsidiaries at fair value through profit or loss rather than consolidating them in accordance with IFRS 10. Confirms that an investment entity will not prepare consolidated financial statements if all of its subsidiaries are measured at fair value through profit or loss.
IFRS 12	Disclosure of Interests in Other Entities – Amendment; Investment Entities	1 Jan 14	Sets out disclosures for investment entities that measure subsidiaries at fair value through profit or loss, including information about exemption from consolidation, investment entity status and unconsolidated subsidiaries.

IFRIC 21	Levies	1 Jan 14	Clarifies that the obligating event that gives rise to a liability is the activity (as described in the relevant legislation) that triggers the payment of the levy.
IFRS 13	Fair Value Measurement	1 Jan 14	Clarifies that the “portfolio exception” applies to all contracts within the scope of IAS 39 or IFRS 9 even if those that do not meet the definition of a financial asset or financial liability (e.g. contracts to buy or sell a non-financial item that can be settled net in cash by another financial instrument. Under the “portfolio exception” the fair value measurement of a group of financial assets and financial liabilities is consistent with how market participants would price the net risk exposure when that group of financial assets and financial liabilities is managed on the basis of the net exposure to market risks or credit risk.

Standards and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Standard description	Date of adoption	Impact on initial application
	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 14	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. No material effect on the Group.
	Annual Improvements to IFRSs 2012-2014 Cycle	1 Jan 16	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. No material effect on the Group.
IFRS 9	Financial Instruments	1 Jan 18	Replacement to IAS 39 and is built on a logical, single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics. Also addresses the so-called ‘own credit’ issue and includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment.
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 16	Addresses the conflicts between IAS 27 and IFRS 10 and the conflicts between IAS 28 and SIC-13 and IAS 28 (2011) in

			respect of the recognition of gains or loss on loss of control of a subsidiary.
IFRS 10, IFRS 12 and	Investment Entities: Applying the Consolidation Exception	1 Jan 16	Clarifies that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. This clarification extends to the equity method for entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 clarifies that an investment entity is not excluded from the scope of the standard.
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 Jan 16	Introduces guidance as to how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 Business Combinations. Proposes that a joint operator should apply the relevant principles for business combinations accounting in IFRS 3 and other relevant IFRSs when accounting for these acquisitions.
IFRS 14	Regulatory Deferral Accounts	1 Jan 17	Enhances comparability of financial reporting by entities that are engaged in rate-regulated activities. Permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, the effect of rate regulation must be presented separately from other items. Entities already preparing IFRS financial statements are not eligible to apply the standard.
IFRS 15	Revenue from Contracts with Customers	1 Jan 16	Introduces requirements for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue and provides or improves guidance for transactions that were not previously addressed comprehensively and for multiple-element arrangements.
IAS 1	Disclosure initiative	1 Jan 16	Amended to further clarify the concept of materiality, namely that it is

			applicable to the financial statements as a whole, not just the primary statements and that it applies to specific disclosures required by an IFRS and, therefore, an entity does not have to disclose information required by an IFRS if that information would not be material.
IAS 16 and IAS 41	Agriculture: Bearer Plants	1 Jan 16	Bearer plants brought into the scope of IAS 16 because their operation is similar to manufacturing. Initial measurement at cost, then accounting choice either cost or revaluation model may be applied to each class of bearer plant. Related agricultural produce remains in scope of IAS 41.
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 16	Clarifies that preparers should not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets.
IAS 27	Equity Method in Separate Financial Statements	1 Jan 16	Restoration of the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

c) Presentation of financial statements

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

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

d) Revenue recognition

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

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

The Group manufactures and sells a range of iodine derivatives and specialty chemicals. Sales of goods are recognised when a Group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have

been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied and collectability is reasonably assured.

e) Research and development expenditures

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

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

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

Development costs not meeting these criteria for capitalisation are expensed as incurred. In 2014, all research and development expenditures were expensed as incurred.

f) Going concern

The Group has historically completed equity and debt offerings to fund its developmental and growth activities as required. Major capital projects, IOsorb® plants #4, #5, and #6, were completed in 2014 but did not generate the expected cash flows due to the drop in iodine pricing. Iofina Chemical was able to generate significant cash, which helped to offset this shortfall. The Water Depot project in Montana has significant potential and should provide income once a path is decided.

In 2014, 36 percent (2013: 49 percent) of revenue recognised was attributable to one long term customer, a distributor. Relations with this customer remain good.

In May 2014, the Group raised $5.0 million of funding through a convertible note in order to complete future capital projects. 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. The Group has prepared forecasts and projections that indicate there are adequate resources to continue in operational existence for the foreseeable future. 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 2014. Subsidiaries are wholly owned entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. The acquisition method of accounting is used to account for the purchase of subsidiaries by the Group. On acquisition, the subsidiary's assets and liabilities are recorded at fair value, reflecting their condition at the date of acquisition.

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

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

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

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

h) Business combinations and goodwill

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

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

i) Foreign currency

The vast majority of the Group's business is denominated in U.S. Dollars, which is the functional currency of the entities. Therefore, U.S. Dollars is the presentational currency for the Group financial statements.

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.

On disposal of a foreign operation for which the presentational and functional currencies were different in previous periods, the cumulative translation differences are transferred to profit and loss as part of the gain or loss on disposal. The US Dollar/Pounds Sterling exchange rate averaged 1.647 in 2014 and at 31 December 2014 was 1.559 (2013: 1.648).

j) Intangible assets

Deferred exploration and evaluation costs

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

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

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

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

Other identifiable intangible assets

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

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

Amortisation is included within administrative expenses.

Goodwill

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

k) Property, plant and equipment

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

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

- Buildings: 2.5 percent per annum
- Mobile iodine extraction units and computer equipment: 10-33.3 percent per annum
- Equipment and machinery: 10-20 percent per annum
- Drilling equipment and pipeline: 10-20 percent per annum
- IOSorb® Plants: 5 percent per annum (effective in both 2014 and 2013)

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

Freehold land is not depreciated.

l) Financial instruments

Financial liabilities

Trade and other payables

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

Convertible loan notes

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

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

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

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

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

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

Financial assets

Cash and cash equivalents represent short term, highly liquid investments with an original maturity of fewer than three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. At the end of 2014, all cash accounts were in 100 percent liquid accounts.

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.
- “Equity reserve” represents the equity component assigned to the compound financial instrument after deducting the fair value of the instrument as a whole.
- "Retained earnings" represents retained profits or accumulated losses.
- "Foreign currency reserve" represents the cumulative differences arising from translation of foreign operations.
- “Distributable reserves” represents the amount of equity that may be paid out as dividends.

o) Inventories

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

p) Taxation

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

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

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

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

q) Operating leases

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

r) Share-based payments

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

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

s) Segment reporting

In identifying its operating segments, management follows the Group's service lines, which represent the main products provided by the Group and are based on the information presented to the chief operating decision maker, which is the Board. The activities of the Iodine and Iodine Derivatives segment include the production of raw iodine and the production of iodine derivatives and other non-iodine based chemical derivatives. The Montana Atlantis Development segment includes the

exploration and production of natural gas, iodine and water for use in various applications. The Montana Water Depot project includes large volumes of water retrieved, stored and shipped to customers in close proximity to be used mainly for fracking.

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

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

2. Significant judgements and estimates

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

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

a. Intangible and tangible assets are tested for impairment where there is an indication that they may be impaired. In accordance with IAS 36, an intangible or tangible 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, goodwill and tangible assets are provided in notes 10, 11 and 12. At 31 December 2014 management assesses that impairment charges are necessary for the IOsorb® plant #1 in Texas and the Atlantis Development Project in Montana. The useful lives represent the expected utility of the assets to the Group.

b. Management reviews the useful lives of depreciable and amortisable assets at each reporting date. The carrying amounts are analysed in notes 10 and 12. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment. Management’s estimate of useful life of plant and equipment as detailed in note 1k are common life expectancies for the industry. Changes in the expected level of usage or other technological developments could impact the life and residual value of these assets.

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 2014	Iodine and Iodine Derivatives $	Montana $	Unallocated Corporate Expenses $	Total $
Revenue	25,848,927	-	-	25,848,927
Impairment	(1,216,427)	(1,306,269)		(2,522,696)
Gross (loss)/profit	2,641,332	-	-	2,641,332
Segment result	(1,539,329)	(1,701,550)	(3,408,253)	(6,649,132)
Year ended 31 December 2013	$	$	$	$
Revenue	18,931,230	-	-	18,931,230
Gross (loss)/profit	3,100,997	-	-	3,100,997
Segment result	(1,185,886)	(530,565)	(2,027,842)	(3,744,293)

Assets	31 December 2014 $	31 December 2013 $
Iodine and Iodine Derivatives	41,810,141	41,478,229
Montana	4,711,085	6,558,213
Unallocated Corporate (plc)	62,809	217,767
Total	**46,584,035**	**48,254,209**
Liabilities		
Iodine and Iodine Derivatives	4,298,271	4,653,130
Montana	-	-
Unallocated Corporate (plc)	18,798,167	14,795,028
Total	**23,096,438**	**19,448,158**
Capital expenditure		
Iodine and Iodine Derivatives	5,963,042	11,893,067
Montana	254,664	280,100
Total	**6,217,706**	**12,173,167**
Depreciation/amortization		
Iodine and Iodine Derivatives	1,545,132	929,083
Montana	455,994	530,565
Total	**2,001,126**	**1,459,648**

b. **Geographical segments -** The Group also reports by geographical segment. The Group's activities are related to exploration for, and development of, iodine and natural gas 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 are reported. 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.

c.

	31 December 2014 $	31 December 2013 $
Assets		
UK	62,809	217,767
USA	46,521,226	48,036,442
Total	**46,584,035**	**48,254,209**
Liabilities		
UK	217,416	14,795,028
USA	22,879,022	4,653,130
Total	**23,096,438**	**19,448,158**
Revenue		
North America	13,658,475	6,889,734
Europe	2,161,508	923,606
Asia	9,990,894	10,935,372
Other	38,050	182,518
Total	**25,848,927**	**18,931,230**

d. **Significant customers -** Iofina Chemical had three significant customers in 2014; one distributor represents 36 percent of sales, another customer 17 percent and the third accounts for 8 percent. In 2013, the three significant customers represented 49 percent, 9 percent and 8 percent of the total sales.

4. Loss before taxation

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

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Depreciation expense	1,732,751	1,191,273
Amortisation expense	268,375	268,273
Share based (credit)/expense	(94,408)	592,648
Impairment	2,522,696	-
Operating lease expense – land and buildings	97,474	55,329
Other:		
Annual audit fees	117,020	98,280
Tax fees payable to the auditor	3,060	3,360
Advisory fees payable to the auditor	-	3,000

Cost of sales – analysis by nature

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Raw materials	11,720,326	13,146,161
Freight	486,665	279,488
Sales commission	39,423	82,204
Labour, manufacturing overhead and royalties	10,961,181	2,322,380
	23,207,595	15,830,233

Administrative expenses – analysis by nature

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Payroll and benefits	1,706,292	2,620,968
Office expenses	307,940	716,325
Professional services	754,130	560,917
Travel	290,706	252,123
Insurance	195,487	169,535
Rent	97,474	29,801
Other	116,883	9,037
Share based (credit)/expense	(94,408)	592,648
Depreciation	1,732,751	935,802
Amortisation	268,375	268,375
	5,375,630	6,155,531

Research and development expenses recognised during the period were $283,095.

5. Staff numbers and costs - The average number of Group employees, including executive directors

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Production	74	53
Administrative	17	19
Sales	1	1
Total staff	92	73

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Wages and salaries	5,105,744	4,521,604
Social security costs	600,208	667,219
Total staff costs	5,705,952	5,188,823

Of the total staff costs above, $3,710,561 (2013: $2,368,023) is included within cost of sales; $1,706,292 (2013: $2,620,968) is included within administrative expenses and $289,099 (2013: $199,832) has been capitalised as additions to property, plant and equipment.

Of the total staff costs above, $432,803 (2013: $727,290) was paid to directors (considered to be key management personnel) for their services during the year.

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Wages and salaries	426,431	706,349
Social security costs	6,372	20,941
Total directors' cost	432,803	727,290

Included within wages and salaries above is $79,214 (2013: $153,600) in respect of the highest paid director. Additionally, there were share base (credits)/payments of ($100,865), (2013 $567,565) attributable to directors. No options were executed by a director in 2014.

6. Finance expense

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Interest expense	1,450,882	764,352
	1,450,882	764,352

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

7. Finance income

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Interest income	2,385	14,593
	2,385	14,593

8. Taxation

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Tax expense comprises:		
Current year tax expense	-	-
Prior year tax expense	-	-
Deferred tax credit	(56,359)	(60,000)
	(56,359)	(60,000)

	Year ended 31 December 2014 $	Year ended 31 December 2013 $
Tax reconciliation:		
Loss on ordinary activities before tax	(6,705,491)	(3,744,293)
Tax at UK income tax rate of 21.5% (2013: 23.25%)	(1,441,681)	(870,548)
Effects of:		
Losses and other temporary differences not recognised for deferred tax purposes	1,357,862	823,745
Deferred tax on amortisation of intangibles	(56,359)	(60,000)
Effect of different tax rate of subsidiaries operating in other jurisdictions	83,819	46,803
Adjustment to previous year's tax expense	-	-
Total tax credit	(56,359)	(60,000)

The Group has accumulated tax losses of approximately $25,400,000 (2013: $18,500,000) that may be deductible from future taxable profits subject to agreement with the relevant tax authorities. To the extent tax losses are not utilised to offset current income taxes they will begin to expire in 2030.

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

9. Loss per share

The calculation of loss per ordinary share is based on a loss attributable to shareholders of $6,649,132 (2013: $3,744,293) and the weighted average number of ordinary shares outstanding of 127,342,836 (2013: 127,284,398). Due to the loss in the year, there is no difference between the diluted loss per share and the basic loss per share because the outstanding share options of $1,075,000 and the two convertible notes (see note 20) would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of International Accounting Standard (IAS) No. 33.

10. Intangible assets (Group)

	Undeveloped Leasehold Costs	WET® patent	Customer relationships	Patent portfolio	EPA registrations	Total
	$	$	$	$	$	$
Cost						
At 31 December 2012	3,147,477	2,700,000	660,671	212,000	271,000	6,991,148
Additions	479,793	-	-	-	-	479,793
Disposals	(26,614)	-	-	-	-	(26,614)
At 31 December 2013	3,600,656	2,700,000	660,671	212,000	271,000	7,444,327
Additions	254,664	-	-	-	-	254,644
Disposals	-	-	-	-	-	-
At 31 December 2014	3,855,320	2,700,000	660,671	212,000	271,000	7,698,991
Accumulated amortisation						
At 31 December 2012	-	617,404	233,625	80,178	271,000	1,202,207
Charge for the year	-	180,000	65,000	23,375	-	268,375
At 31 December 2013		797,404	298,625	103,553	271,000	1,470,582
Impairment	950,785	-	-	-	-	950,785
Charge for the year		180,000	65,000	23,375	-	268,375
At 31 December 2014	950,785	977,404	363,625	126,928	271,000	2,689,742
Carrying amounts						
At 31 December 2012	3,146,927	2,082,596	427,046	131,822	-	5,788,941
At 31 December 2013	3,600,656	1,902,596	362,046	108,447	-	5,973,745
At 31 December 2014	2,904,535	1,722,596	297,046	85,072	-	5,009,249

Undeveloped leasehold costs primarily relate to the costs of acquiring leases to explore, drill and produce oil and gas in certain areas of Montana as well as brine leases in Oklahoma. 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.

In 2014 the Group undertook an operational review that included review of lease holdings in Montana. As a result of this review, in 2014 the Group determined to renew lease holdings only in the core area of its Atlantis Field. Expiration of certain leases during the period coupled with the continued decline in iodine prices and continued low natural gas prices in the period under review presented an indication for impairment review. The Group reviewed its leasehold in the state of Montana to determine the recoverable value of each lease individually. The Group determined certain leases and associated costs outside of its core Atlantis Field to be fully impaired based on the results of the impairment review. Accordingly an impairment charge of $950,785 was made in respect of these assets. The decision by the Group in 2014 to focus on a core area and not renew certain leases coupled

with lowered iodine prices resulted in the impairment review and charge in 2014 and not previous years. Indicators of impairment of undeveloped leasehold land costs are:

- The period for which the Group has the right to explore in a specific area has expired during the period, or will expire in the near future, and is not expected to be renewed based on the economic feasibility of the area under review.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not feasible.
- Exploration for and evaluation of mineral resources in the specific areas have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

Following the above impairment review on the undeveloped leasehold costs an impairment review was performed on the value in use of the Atlantis Field. The carrying value of undeveloped leasehold costs is attributable to this Project. No further impairment was identified and details of this review are included in Note 12.

WET® Patent

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

- Management's expectation for the expected viability of the technology
- Management's expectations regarding the timing of significant substitute technology
- The lack of comparable substitute technologies as of the valuation date
- The remaining amortisation period is 9.5 years

Customer relationships

The amount capitalised relates to the acquisition of Iofina Chemical and the then existing customer base. The initial useful was 10 years and the remaining amortisation period is approximately 4.5 years.

Patent portfolio

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

11. Goodwill (Group)

Carrying amounts	
At 31 December 2014, 31 December 2013, and 31 December 2012	$ 3,087,251

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

The Chemical business has been in operation for 31 years. Management assumed continued revenue growth based on a five year historical trend and an improvement on margins associated with recovering commodity prices and ongoing cost improvements through vertical integration of raw iodine supply. A material change in supply costs or demand for key products could indicate the need for impairment. However, Management believes that 25 years of cash flow generation should be used in the impairment review based on the historical adaptability of the business. For impairment testing, cash flows discounted at 10% per annum indicate that the goodwill valuation can be supported.

12. Property, plant and equipment (Group)

	Freehold Land	Buildings	Equipment and Machinery	Drilling Equipment & Pipeline	Construction in Progress	Total
	$	$	$	$	$	$
Cost						
At 31 December 2012	209,000	1,425,608	6,453,333	4,563,758	2,415,453	15,067,152
Additions	-	39,895	4,661,176	-	6,976,977	11,678,048
Disposals	-	-	-	(4,438)	-	(4,438)
Reclassifications	-	-	2,415,453	-	(2,415,453)	-
At 31 December 2013	209,000	1,465,503	13,529,962	4,559,320	6,976,977	26,740,762
Additions/(reductions)		43,090	11,802,487	-	(5,882,535)	5,963,042
Disposals						
At 31 December 2014	209,000	1,508,593	25,332,449	4,559,320	1,094,442	32,703,804
Accumulated Depreciation						
At 31 December 2012	-	95,831	2,516,020	1,545,458	-	4,157,309
Charges for the year	-	43,369	752,070	395,834	-	1,191,273
At 31 December 2013	-	139,200	3,268,090	1,941,292	-	5,348,582
Impairment			1,216,427	355,484		1,571,911
Charges for the year	-	44,953	1,231,804	455,994		1,732,751
At 31 December 2014	-	184,153	5,716,321	2,752,770		8,653,244
Carrying amounts						
At 31 December 2012	209,000	1,329,777	3,937,313	3,018,300	2,415,453	10,909,843
At 31 December 2013	209,000	1,326,303	10,261,872	2,618,028	6,976,977	21,392,180
At 31 December 2014	209,000	1,324,440	19,616,128	1,806,550	1,094,442	24,050,560

Management has performed an impairment analysis of each of its business models during the period under review. A continued decline in iodine prices over the year indicated the need to review higher cost production units for impairment, specifically the Group’s IO#1 plant. The Group also reviewed for impairment its undeveloped leasehold, property, plant and equipment reported under its Montana segment due to the expiration of leases outside the Group’s core Atlantis Field. With the decline in iodine prices in 2014 and low natural gas prices it was determined by management not to maintain this undeveloped leasehold outside of the core area.

The Group decided to shut down its IO#1 plant in early 2015 as a result of a scenario analysis relating to the profitability of the plant. Management began reviewing the economics of the plant in the year 2014 and attempted to implement cost cutting measures. However, it was determined that continued production at the plant was no longer economically feasible based on current iodine pricing forecasts and a forecasted decline in brine water volumes. Based on the Net Book Value of the asset ($1,932,423) and estimated salvage value less decommissioning costs ($706,996), Management determined impairment on the plant to be $1,216,427.

Management also reviewed all undeveloped leaseholds, property, plant and equipment held in its Montana segment on an individual basis per the impairment indications stated in Note 10. An inventory of physical assets was performed during the period under review to determine the operational status of all assets held in Montana. It was determined that drilling equipment with the Net Book Value of $355,484 was deemed non-operational and fully impaired.

The Group continues to maintain its oil, gas and iodine leases in the core Atlantis Field. Management has reviewed the assets of this Atlantis Field and found that its NPV exceeds its current book value. Key assumptions in the NPV calculation were:

- Barrels of produced water per well
- Iodine concentration in produced water
- Iodine recovery rate
- Iodine price
- Gas water ratio
- Natural Gas price

This NPV calculation was based on the production of gas and iodine that were produced in Phase I of this project. For this NPV calculation, costs and pricing were updated to reflect the current market. A discount rate of 8 percent was used based on the Group's historical cost of capital and the most recent financings as well as the reduced risk of the project based on the Phase 1 results. A project lifetime of 20 years was based on the recoverable amount of iodine and natural gas determined by an independent reserve report and the previous mentioned recoverability assumptions. No further impairment above those described in Notes 10 and 12 is indicated. Of the key assumptions, a 20 percent decrease in iodine price or a 40 percent decrease in natural gas prices would cause the Atlantis Field to be near its current book value. In addition to the proven potential of the field, the Group has identified a deeper exploration play as well as the potential of a helium gas accumulation on our acreage. No value in the NPV calculations was ascribed to either of these plays.

Finally, this Atlantis Field has the potential to provide a mitigation strategy to the Atlantis Fresh Water Depot located in the same watershed. The nature of the gas reserves at the Atlantis Field is one where large quantities of produced brine water ranging from 1,500 to 2,500 barrels of water per day are produced. This produced brine water contains both iodine and natural gas. Once the water is brought to the surface the gas is "released" out of solution due to a decrease in pressure and separated for sale at the surface. The produced brine water is then processed to extract the iodine. This was proven in the Phase I development. In the full development plan for the Atlantis Field, the Group would install a water treatment plant to treat the produced brine water from the Atlantis Field to a standard to be able to discharge clean, treated water into the Fresno Reservoir. The produced brine water rejected from the water treatment facility would then be processed through the Group's WET® IOSorb® process for the extraction of iodine. The ability to take the produced brine water and treat a portion of it for surface discharge provides additional value to both the Atlantis Field and the Atlantis Fresh Water Depot. The only value assigned to the Atlantis Field in the above described NPV calculation was for the gas and iodine reserves. In Management's opinion the proven gas and iodine potential, as identified in the Company's NPV analysis, along with the deep exploration play, the helium prospect and the potential mitigation plan give the Atlantis Field a value that far exceeds its book value.

The Atlantis Fresh Water Depot is located in Roosevelt County, Montana. Atlantis Water Solutions has filed for a “Beneficial Use Water Permit” that would allow for the sale of water to industrial users, specifically to oil and gas operators and service companies to be used in fracking oil and gas wells in Montana. The economics of this project are dependent upon the Group’s ability to market this water. There is only $143,407 in book value for this asset consisting of preliminary engineering costs and 5 acres of land where the depot would be located.

13. Inventories

Group	**31 December 2014**	**31 December 2013**
	$	**$**
Raw materials	1,224,809	3,419,291
Work in progress	1,306,209	1,875,705
Finished goods	1,021,214	1,607,231
	3,552,232	6,902,227

At year end, there were no provisions against the carrying value of inventories (2013: nil). During the year, the cost of inventories recognised as expense and included in ‘cost of sales’ amounted to $22,485,621 (2013: $14,825,788).

14. Financial instruments

The Board of directors determines, as required, the degree to which it is appropriate to use financial instruments to mitigate risks. The main risks for which such instruments may be appropriate are interest rate risk, foreign currency risk, credit risk, liquidity risk and commodity risk. The Group's principal financial instrument is cash, which is invested with major banks. The Group has two convertible bonds and no other borrowings. Future principal maturities as of 31 December 2014 for the long-term convertible debt obligations are as follows:

	$
2015	-
2016	-
2017	20,000,000
2018	-
2019	-
	20,000,000

Financial assets and liabilities

Group

2014	Loans and receivables $	Financial liabilities at amortised cost $	Total $
Cash and cash equivalents	6,966,733	-	6,966,733
Investments	-	-	-
Trade receivables	3,457,903	-	3,457,903
			10,424,636
Trade payables	-	1,551,225	1,551,225
Accrued liabilities	-	1,739,509	1,739,509
Deferred consideration	-	360,000	360,000
Convertible note	-	18,780,750	18,780,750
			22,431,484

2013			
Cash and cash equivalents	2,069,934	-	2,069,934
Investments	6,198,821	-	6,198,821
Trade receivables	2,426,934	-	2,426,934
			10,695,689
Trade payables	-	2,371,374	2,371,374
Accrued liabilities	-	1,346,797	1,346,797
Deferred consideration	-	400,000	400,000
Convertible note	-	14,608,674	14,608,674
			18,726,845

Company

2014	Loans and receivables $	Financial liabilities at amortised cost $	Total $
Cash and cash equivalents	47,790	-	47,790
Loan to subsidiaries	42,471,597	-	42,471,597
			42,519,387
Trade payables	-	205,624	205,624
Accruals	-	11,793	11,793
Convertible note	-	18,780,750	18,780,750
			18,998,167

2013			
Cash and cash equivalents	207,544	-	207,544
Loan to subsidiaries	37,184,466	-	37,184,466
			37,392,010
Trade payables	-	8,734	8,734
Accruals	-	177,620	177,620
Convertible note	-	14,608,674	14,608,674
			14,795,028

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 surplus funds, the Group has limited interest rate risk. As of 31 December 2014, all surplus funds were invested in checking and savings accounts that had no terms and were 100% liquid.

The interest rate on the $15,000,000 convertible note was originally fixed at 6.5 percent when it originated in May 2013. The interest rate was renegotiated to 6 percent in March 2014. The annual interest on the note in 2014 is approximately $845,000. A one percent change in interest rates would result in a change in annual interest expense of approximately $150,000; however, this is a fixed rate instrument. Subsequent to 31 December 2014 the investments were converted to cash.

Another convertible bond was issued in April 2014 for $5,000,000. This bond has an interest rate of 6 percent. The annual interest rate on the note is approximately $300,000. A one percent change in interest rate would result in a change in annual interest expense of $55,000.

Foreign currency risk

The Group has potential transactional currency exposure in respect of items denominated in foreign currencies relating to the Group's administration in the UK. The Group occasionally makes use of dual currency deposits, derivative instruments that combine a money market deposit with a currency option, as a hedge against foreign currency risk. The balance of cash held in foreign currency was $47,790 as of year-end.

The Group holds its cash balances in US Dollars to the extent considered appropriate to minimize the effect of adverse exchange rate fluctuations. Currently, sales transactions are denominated in US Dollars, which is the operating currency. Other impacts of foreign currency risk are not deemed material to these financial statements.

Credit risk

Because the counterparties to the majority of Iofina's financial instruments are prime financial institutions, Iofina does not expect any counterparty to fail to meet its obligations. Consequently, the maximum exposure is reflected by the carrying amount of financial assets. Additionally, the Group is exposed to marginal credit risk in the form of receivables for product sales. Credit risk in this regard is mitigated through, long-term customer payment history, extensive credit analysis of large purchasers,

use of letters of credit, and the requirement of partial or total payment prior to the shipment for some customers.

Liquidity risk

The Group raises funds as required on the basis of forecast expenditure and cash inflows over the next 12 months. When necessary, the scope and rate of activity are adjusted to take account of the funds available. Given the nature of the Group's financial instruments and the current net asset position, liquidity risk is considered minimal at the current time.

Commodity risk

The Group is exposed to movements in the price of raw iodine. Sales of iodine based products were $17,558,865 (2013: $16,344,858). Iodine is produced internally and is the most significant cost component for iodine based products.

15. Trade and other receivables

Group

	31 December 2014 $	31 December 2013 $
Trade receivables	3,457,903	2,426,934
Other receivables and prepayments	460,107	203,117
	3,918,010	2,630,051

Company

	31 December 2014 $	31 December 2013 $
Prepayments and other receivables	15,019	10,223
	15,019	10,223

All receivables and prepayments are short term in nature. The carrying values are considered a reasonable approximation of fair value. All trade receivables were collected subsequent to the balance sheet date. There is no bad debt provision, and therefore no movement on the bad debt provision for the year. All receivables from 2014 have been paid.

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

16. Cash and cash equivalents

Group

	31 December 2014 $	31 December 2013 $
Cash in US Dollar accounts	6,918,943	1,862,390
Cash in GB Pound Sterling accounts	47,790	207,544
	6,966,733	2,069,934

Company

	31 December 2014 $	31 December 2013 $
Cash in GB Pound Sterling accounts	47,790	207,544
	47,790	207,544

17. Trade and other payables

Group

	31 December 2014 $	31 December 2013 $
Trade payables	1,551,225	2,571,374
Accrued expenses and customer deposits	1,739,509	1,146,797
	3,290,734	3,718,171

Company

	31 December 2014 $	31 December 2013 $
Trade payables	205,624	8,734
Accrued interest and expenses	11,792	177,620
	217,416	186,354

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

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

18. Deferred tax liability

	$
At 31 December 2012	781,313
Credit to income for the year	(60,000)
At 31 December 2013	721,313
Credit to income for the year	(56,359)
At 31 December 2014	664,954

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

19. Deferred consideration

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

Long term deferred consideration	
	$
at 31 December 2012	600,000
recognised as trade payables	(200,000)
at 31 December 2013	400,000
recognised as trade payables	(40,000)
recognised as short term deferred consideration	(120,000)
at 31 December 2014	240,000

The deferred consideration represents management's best estimates of the amount to be payable based on expected production levels over a period of up to 5 years and is not discounted. Based upon 2014 production levels, a total of $160,000 of long term deferred consideration was reclassified, of which $40,000 was included in trade payables and $120,000 as short term deferred consideration at 31 December 2014. The maximum contractual amount that could be payable is $1 million.

20. Convertible note

On 15 May 2013 the Group issued a $15,000,000 convertible note at par value that has an annual coupon of 6.5 percent payable quarterly in arrears. The note is convertible into fully paid ordinary shares at a conversion price of USD $3.21. If not converted or previously redeemed, the note will be redeemed at par upon maturity two years from the issue date. The Company has the right to redeem the note without penalty at any time, at which point the holder may elect to convert or receive repayment. In March 2014, the redemption date was extended by two years to 15 May 2017, with a deduce rate to 6.0 percent from 6.5 percent. The amended terms allow for conversion at any time upon 28 days' notice at a conversion price of $1.67.

As at 31 December 2014 the loan note had a balance of $13,878,675 and accrued interest relating to the loan was $150,000. The convertible note has been split into its respective debt and equity component and a credit to equity in relation to the conversion of the option of $1,761,184 has been recognised using an 9.2 percent per annum discount rate. At maturity, absent conversion, $15,000,000 would be due to the note holder.

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

On 30 April 2014 the Group issued a $5,000,000 convertible note at par value which has an annual coupon of 6.0 percent payable quarterly in arrears. The note is convertible into fully paid ordinary shares at a conversion price of 40 pence. The Company has the right to elect conversion of the bond if the share price trades at 80 pence per Ordinary Share (being a one percent. premium above the conversion price), for five consecutive trading days. The Company has the right to redeem the note without penalty at any time, at which point the holder may elect to convert or receive repayment.

As at 31 December 2014 the loan note had a balance of $4,902,076 and accrued interest relating to the loan was $50,000. The convertible note has been split into its respective debt and equity component and a credit to equity in relation to the conversion of the option of $124,106 has been recognised using an 8.5 percent per annum discount rate. At maturity, absent conversion, $5,000,000 would be due to the note holder.

21. Share Capital

		31 December 2014	31 December 2013
Authorised:			
Ordinary shares of £0.01 each	- number of shares	1,000,000,000	1,000,000,000
	- nominal value	£10,000,000	£10,000,000
Allotted, called up and fully paid:			
Ordinary shares of £0.01 each	- number of shares	127,569,398	127,284,398
	- nominal value	£1,275,694	£1,272,844

	31 December 2014 $	31 December 2013 $
Issued share capital	2,292,683	2,288,106
Share premium	49,058,148	48,919,023

During the year ended 31 December 2014, the Company issued 185,000 new ordinary shares at a price of 30.0p per share and 100,000 new ordinary shares at 34.0p per share.

The total number of voting rights in the Company's ordinary shares at 31 December 2014 was 127,569,398 (2013: 127,284,398).

	Number of ordinary shares
At 31 December 2012	**127,284,398**
Issue of shares	-
At 31 December 2013	**127,284,398**
Issue of shares	285,000
At 31 December 2014	**127,569,398**

22. Share based payments

During the year ended 31 December 2014, the Company did not grant options of shares to employees of the Group under the 2008 Iofina plc option plan.

The Group (credited)/expensed to profit or loss a total of ($94,408) in 2014 (2013: $592,648).

No options were granted in 2014. The fair values of options granted in 2013 were calculated using the following inputs to the Black-Scholes valuation model:

Weighted average share price at date of grant:	£1.53
Weighted average exercise price	£1.53
Weighted average expected volatility	67.7%

Weighted average expected life	3 years
Risk free rate	0.79%
Dividends	none

Expected volatility is a measure of the amount by which the Group's shares are expected to fluctuate during the life of an option. The expected volatility is estimated based on the volatility of seven comparable companies. The expected life of the options is based on historic behaviour in the context of the contractual terms of the options. The risk free rate is based on long term LIBOR rate at the date of the grant. The weighted average contractual life of outstanding options grants is 7.4 years.

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

Date of Grant	Number of Options	Vesting Date	Share Price £	Exercise Price £	Exercise Price $	Volatility	Risk Free Rate
2 July 2010	1,075,000	2 Jul 2011	0.30	0.30	0.47	50%	1.2%
Weighted average			0.30	0.30	0.47	50%	1.2%

The weighted average exercise price of options forfeited/lapsed in the year was £1.09. The weighted average exercise price of options outstanding at the beginning of the year was £0.70. The weighted average exercise price of all options outstanding at year end was £0.30. The weighted average exercise price for all exercisable options at year end was £0.30. Exercise prices shown in USD are based on the US Dollar/Pounds Sterling exchange rate at 31 December 2014 of 1.559. Options outstanding at 31 December 2014 expire the earlier of ten years from grant date or the termination of service to the Company, the latter being subject to the administrator's discretion.

	2014 **Number of options**
Outstanding at the beginning	2,610,000
Granted	-
Exercised	(285,000)
Lapsed/forfeited	(1,250,000)
Outstanding at the end of the year	1,075,000
Exercisable at the end of the year	1,075,000

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

23. Related party transactions

In May 2013 Iofina plc executed a convertible note in the amount of $15,000,000 with Stena Investment S.à.r.l, an owner of approximately 8 percent of the outstanding common shares. The transaction was deemed a related party transaction pursuant to AIM Rule 13. See note 20 for a description of the note.

There are intercompany transactions among the members of the Group. In 2014 the proceeds of the convertible note were transferred to Iofina Resources and iodine produced by Iofina Resources was sold to Iofina Chemical. Related party balances are as follows:

	31 December 2014 $		31 December 2013 $	
	Due from	Due to	Due from	Due to
Iofina plc	40,852,019		37,633,234	-
Iofina Resources	1,986,040	40,852,019	3,211,259	37,633,234
Iofina Chemical		1,986,040	-	3,211,259

Additional related party transactions are with key management personnel as detailed below. Option grants as described in note 22 are to employees and Directors.

	31 December 2014 $	31 December 2013 $
Wages and salaries	426,431	706,349
Share based (credit)/expense	(100,865)	592,648
Social security costs	6,372	20,941
Total	331,938	1,319,938

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

24. Leases

The Group leases space for administrative purposes under one agreement. The remaining life of the lease is 50 months. At the balance sheet date the minimum payments are $144,575 (2013: $141,790) for the next 12 months. The lease is strictly for the use of improved realty on a stated payment basis and contains no contingent, purchase or renewal clauses. Additionally, the Group has entered into a lease of land for its Atlantis Water Depot. The remaining life of the lease as at 31 December 2014 is 108 months. At the balance sheet the minimum payments are $96,000 (2013: nil) for the next 12 months.

Future Minimum Lease Payments	31 December 2014 $	31 December 2013 $
One year	240,575	141,790
More than one and less than five years	744,782	489,116
More than five years	384,000	16,240
Total	1,369,357	647,146

25. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being share capital plus reserves as shown in the balance sheet. The Directors continue to monitor 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. The Directors consider the capital of the Group to be the total equity attributable to the equity holders of the parent of $23.5 million as at 31 December 2014.

26. Subsidiary undertakings

Investment in subsidiaries

Cost	Investment in subsidiaries $
Balance at 31 December 2012	17,199,362
Changes for the year	-
Balance at 31 December 2013	17,199,362
Changes for the year	-
Balance at 31 December 2014	17,199,362

Loans to subsidiaries

Cost	Investment in subsidiaries $
Balance at 31 December 2012	22,633,233
Changes for the year	14,551,233
Balance at 31 December 2013	37,184,466
Changes for the year	3,667,553
Balance at 31 December 2014	40,852,019

Subsidiary undertakings

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

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

27. Capital commitments

At 31 December 2014, the Group had capital commitments of approximately $100,000 (2013: $3,500,000).

28. Post balance sheet events

On 15 April 2015, Iofina announced plans to shut down the IOsorb® plant #1 located in Texas. This was the first IOsorb® plant constructed and was the prototype for the remaining 5 IOsorb® plants. The lack of brine water volume at the site and the current iodine price were the main determining factors in making this decision. The closure of the plant will not have a significant impact on the overall iodine production of the Group in 2015. Management has performed an impairment analysis on assets at balance sheet date with potential indicators of impairment, including IO#1. There will be an impairment cost of $1,126,427 associated with IO#1 recognised in 2014 and detailed in Note 12.

29. Contingent Liabilities

All previous disclosed liabilities have been settled and are not material events for the Group.

Iofina and the environment

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

Iofina

Technology Leaders in Iodine®

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/LED displays allowing for superior image quality.

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

Iodine compounds are used as catalysts in a variety of industrial transformations. One example of this is the use of iodine species in the production of acetic acid which is diluted and used as household vinegar or can be transformed into other compounds such as polyvinyl acetate which has many adhesive applications.

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 everyday.

Iofina

Technology Leaders in Iodine®

Iofina plc
Registered Office
WSP House
70 Chancery Lane
London WC2A 1AF

Iofina Resources, Inc.
8480 East Orchard Road
Suite 4900
Greenwood Village, CO 80111
303-222-1215
303-222-1201 fax

Iofina, Inc.
8480 East Orchard Road
Suite 4900
Greenwood Village, Colorado 80111
303-222-1215
303-222-1201 fax

Iofina Chemical, Inc.
1025 Mary Laidley Drive
Covington, Kentucky 41017
859-356-8000
859-356-5712 fax

Email: **info@iofina.com** • Web: **www.iofina.com**