19 May 2017

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

AUDITED 2016 FINAL RESULTS
NOTICE OF AGM
Revenue Increase, Iodine Production Costs Decrease

Iofina, specialists in the exploration and production of iodine and iodine specialty chemical derivatives, announces its audited final results for the 12 months to 31 December 2016. The Group increased revenue in 2016 and has continued to reduce the cost of iodine production at the Group's IOsorb® plants despite challenges of falling iodine prices and brine supply due to regulations and diversion for fracking operations. The Group is expecting to produce 215-230 metric tonnes ("MT") of iodine in the first half of 2017.

2016 Financial Highlights:

- Revenue increased by 11% to US$22.5m (2015: US$20.3m)
- Gross profit of US$2.7m (2015: US$4.3m), despite a 20% fall in iodine prices
- Convertible loan notes restructured and reissued and a US$10 million debt facility added
- Cash and cash equivalents at 31 December 2016 of US$2.8m

Operational Highlights:

- Produced 474.2 MT of crystalline IOflo® iodine
- Continued reduction in the cost of iodine production
- Halogen derivative producer Iofina Chemical performed well including a record year for non-iodine products
- Global IOflo® iodine sales at record levels for the Group
- Oklahoma seismic activity has declined which reduces further potential regulatory action

Post Period Highlights:

- Iodine prices show signs of stabilising and are moving higher from late 2016 lows
- Iofina Chemical continues to realise strong non-iodine derivative sales and this trend is expected to continue
- Execute an IO#3 solution to increase output and reduce cost, likely at a new site
- Continue to evaluate operating own brine wells and disposal sites

The Company is posting notice of its AGM to shareholders 19 May 2017. The AGM will be held at 200 Strand, London WC2R 1DJ, on 14 June 2017 at 09.30 a.m.

Commenting on today's results, President and CEO Dr. Thomas Becker stated:

"The Board is pleased with the Company's 2016 performance, which saw revenue increase 11%, record sales of IOflo® iodine and record sales of non-iodine derivatives. During the year Iofina and its partners faced regulatory changes affecting brine disposals at Arbuckle disposal wells, and where

practical, made improvements to our systems to provide as much iodide rich brine to our production facilities as possible.

In a year where iodine prices continued to fall some iodine mines in Chile have now slowed production or closed altogether. Iofina is committed to controlling existing plant operational costs as well as looking to produce at new sites to expand production and reduce our overall production costs. Importantly, in 2016 Iofina successfully renegotiated and reissued the US$20m convertible debt and added a new US$10m debt facility. This will assist the Group in executing its business objectives.

The Group remains on track to produce 215-230 MT of iodine in the first half of 2017."

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About Iofina:

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

www.iofina.com

Contents

COMPANY INFORMATION

Directors	L J Baller T M Becker W D Bellamy M T Lewin
Secretary	Simon Holden
Company number	05393357
Registered office	200 Strand London WC2R 1DJ
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Nominated Adviser	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Brokers	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ
Registrar	Capita Registrars 34 Beckenham Road Kent BR3 4TU
Financial PR	Yellow Jersey PR Limited 22 Upper Ground London SE1 9PD

IOFINA PLC
CHAIRMAN'S STATEMENT

Introduction

The period under review proved to be a year of operational success at our plants based on the Group's Wellhead Extraction Technology® ("WET®") with IOsorb®. The success gained in operational efficiencies was partially hindered by the continued decline in iodine prices, and reduction of brine volumes due to the Oklahoma Corporation Commission's ("OCC") action to limit the amount of brine being injected in a vast area of northwest Oklahoma where production facilities are located. These factors had a direct impact on the Group's loss for the period. The brine reductions were implemented to address the increase in seismic activity in Oklahoma over the last few years as the oil and gas fields have expanded and the amount of water injected into the Arbuckle formation has significantly increased. The number of earthquakes in Oklahoma fell in 2016 and has fallen even more dramatically in 2017, likely as a result of these reductions of brine injection volumes into the Arbuckle formation.

These injection volumes curtailments, which have affected our partners' salt water disposal ("SWD") sites, began in late 2015 and have continued to evolve into early 2017 and affected many Arbuckle formation disposal sites. The result was that the operators' SWDs associated with our IOsorb® plants were required to reduce their overall injection volumes at some sites by 25%-35%. Working with our operators, we were able to mitigate much of this reduction at most of our facilities. Some of these mitigation steps were not implemented until late 2016. The Group had five IOsorb® plants in operation at the end of 2016, and continued optimisation of production processes and design. The Group's current raw iodine production rates extend beyond the organic requirements for raw iodine at Iofina Chemical, enabling outside sales of raw iodine.

Iofina Resources

Despite significant actions by the OCC in 2016, our iodine production was only 9% shy of the 520 metric tonnes ("MT") we expected at the start of the year as the Group produced 474.2 MT of IOflo® iodine in 2016. Iofina Resources has continued to reduce its production costs. In 2016 the average production cost per kilo of crystalline iodine was reduced by 5.2% when compared to the cost of production in 2015. By having reduced our per kilo costs of iodine production, this will enable the Group to be more profitable once iodine prices return to historic price levels. We continue to investigate and implement ways to reduce our overall production costs at our current facilities while we explore new operations to reduce costs and increase output at new sites.

While the OCC's order affected our plants, the measures imposed apparently had a positive effect on reducing earthquakes in Oklahoma, thus reducing the risk of further action. Oklahoma Geological Survey (OGC) data indicates there were 85 earthquakes with a 2.7 magnitude or greater in Oklahoma during the first two months of 2017 compared to 374 earthquakes with a 2.7 or greater magnitude during those two months in 2016 and 288 in January and February of 2015. An approximately 77% decrease year-over-year ("YOY") in that period of 2.7 or greater earthquakes has been realized and currently in 2017 there is an average of less than one small quake per day compared to over five in 2015. These numbers show the OCC's effort has apparently been successful in correcting the issues.

The Group continues to aggressively pursue additional locations for iodine rich brine streams. Our focus continues to be in Oklahoma although we continue to explore other areas. The relatively new oil and gas plays in Oklahoma have matured to a level that we can more accurately identify regions and potential partners. The new plays are dominated by partners that the Group has built relationships with over the years. Additionally, the Group is actively working with our existing partners to locate additional IOsorb® plants in our core area. As a result of our data gathering, the Group is investigating operating its own SWD wells, with the potential of drilling our own brine only wells to tap into some of the more prospective areas where iodine levels remain high and we can control all aspects of our production.

In August a final legal order was entered denying Atlantis Water Solutions' ("AWS") request to appeal the Montana Department of Natural Resources and Conservation decision to deny the AWS water permit. There are no further plans for this project. The assets of AWS were impaired and the costs associated with AWS have been written off by the Group.

Iofina Chemical

Iofina Chemical ("IC") continued its successful growth in 2016. IC ended the year with sales that exceeded 2015 revenue by more than 10% and volume by approximately 29%. This was aided by record sales of IOflo® iodine into strategic commercial markets. This is quite impressive since the average price of iodine continued to drop in 2016 as iodine prices were approximately 20-25% lower than the previous year. The growth was also aided by the strong derivative sales of our iodine based products as well as our non-iodine based products. IC eclipsed the 2015 record sales of the Company's fluorinated compounds strengthening our customer relationships in these key products. With this diversification, the stability of Iofina Chemical's derivative business has continued even as iodine and its derivatives have continued to become more competitive. The growth of iodine sales, as well as other key derivatives, have strengthened our global position as the Group is now doing about 56% of sales domestically and 44% throughout Europe, Asia and South America.

IC's safety program continues to improve each year. As of December 31, 2016 we had gone 633 days since our last lost time accident. IC continues to look at ways to improve its safety culture and has implemented a near miss program to document and look at trends that could potentially cause incidents to occur. IC will continue to focus on safety policies in 2017 along with starting a new Group wide safety committee to tackle issues we may encounter.

The 2017 outlook for Iofina Chemical is good and we are focusing on margin growth while at the same time investing in new product development.

Iodine Market

Iodine pricing continues to be well below historical levels. In 2016 iodine pricing continued to fall while finally appearing to stabilize in Q4. Typical pricing late in 2016 for large purchases of prilled iodine ended near to $20/kg and slightly lower in Asia. This is over a 20% decrease in price YOY. Demand for iodine and iodine derivatives remained typical with approximately 2-3% growth globally with X-ray contrast media and LCD applications leading demand.

The Group believes that iodine prices are likely to rise gently in 2017 as demand continues to grow at a modest pace and several Chilean producers have taken mines off-line or reduced output. Inventory levels and indications from the largest iodine producer that it intends to increase market share from current levels are likely to keep any iodine price increases modest in the near term. Iodine prices in Q1 2017 moved slightly higher relative to late 2016 and this trend, of a modest increase in pricing, has continued in Q2. While not certain, in the long term the Board expects prices to recover towards historic trends. Revenues and earnings for Iofina are directly affected by iodine pricing.

Debt Restructuring

The Group restructured its 6% convertible loan notes in the amounts of US$15 million to Stena Investment S.á.r.l. ("Stena") and US$5 million to Panacea Limited as 5% secured convertible loan notes with a redemption date of 1 June 2019. A new US$10 million secured facility has also been arranged with Stena with interest payable at 6% and a repayment date of 1 June 2019. Details of these arrangements are given in Notes 19 and 20 to the accounts.

The restructuring of the convertible debt with our previous partners, who are significant shareholders, was an important accomplishment in 2016 as the debt was due in 2017. With the restructuring of the legacy convertible debt and the new debt facility obtained, the Group now has flexibility to execute its business objectives, including growth plans, even as iodine prices recover from lower than expected levels

Safety and Environmental

Iofina is committed to run our operations in a safe, efficient and environmentally friendly manner. The Group is committed to the highest standards of safety for our employees and our community. Iofina's iodine production utilizes a produced brine stream, which without Iofina, would simply dispose of the contained iodide. Isolation of this valued resource from a produce stream is accomplished in contrast to other major US based iodine production which requires the drilling of new brine wells which serve no other purpose than iodine production and come at an additional environmental cost.

The Group is constantly striving towards continuous improvements in our Environment, Health and Safety ("EHS") policies and programs. Iofina Chemical is a Chemstewards® certified facility. Iofina Resources and Iofina Chemical each have an EHS manager to oversee our practices, and upper management personnel are regularly updated on EHS performance matrices.

Outlook

The Group is looking forward to a strong 2017 and an even stronger 2018. Iofina has been able to control costs of production during a period where iodine prices have been under pressure. These pricing challenges have caused our competitors to shut down plants or cease operations. While others are looking to shut down or reduce operations, Iofina is looking to expand operations in order to continue to reduce our production costs. Certain plants were built in the right areas while others were not. Our desire to shut down and relocate a plant, such as IO#3, that was plagued with low brine volumes and low iodine content, illustrates this strategy. The Group has focused on growth opportunities in high iodine content areas with static operating costs. We are excited with the future locations that we have under contract and the other ones we are pursuing. We continue to evaluate operating our own brine wells and disposal sites to control more of the variables while reducing costs. Our Chemical group continues to perform well under the current management team. Our employees are truly what sets Iofina apart from any of its competitors. Our employees continue to innovate, reduce costs, find new target areas, and create new chemical compounds, all while maintaining a safe working environment.

I would like to thank all our shareholders for their patience as the Group has steered around the environment of record historically low iodine prices and less than ideal locations of a few of the Group plants. The Group feels that iodine prices have stabilized and will slowly begin to recover which in turn will increase the Group's earnings and EBITDA growth.

Lance J. Baller

Lance J Baller
Non-Executive Chairman
Iofina plc
18 May 2017

FINANCIAL REVIEW

Summary year on year

- Revenue increased by 11% from $20.3m to $22.5m
- Gross profit declined from $4.3m to $2.7m
- An impairment expense of $0.5m has been recognised in respect of the Montana Water Depot project
- A revaluation credit of $2.1m has been recognised in respect of share conversion rights relating to convertible notes
- Loss before tax increased by 14% from $3.3m to $3.8m
- Cash balances declined by $1.3m from $4.1m to $2.8m
- Capital investment was $0.8m (2015: $1.4m)
- Convertible loan notes of $20m were restructured and reissued
- A term loan facility of $10m was negotiated

Trading results

Revenue increased primarily as a result of increased sales of iodine, partly reflecting a significant reduction in inventories accumulated at the end of 2015. Non-iodine sales increased by 6% and margins were improved. However there was approximately a 20% fall in prices achieved for iodine and iodine derivatives that significantly outweighed a further 5% reduction in the cost of iodine production, resulting in a net decline of $1.6m in gross profit.

Revaluation credit in respect of share conversion rights

The numbers of shares potentially available on conversion of the convertible notes issued 29 September 2016 depend on the USD/GBP exchange rate. In these circumstances accounting standards require that share conversion rights are valued at fair value as derivative liabilities, and that changes in valuation amounts are credited or charged to profit and loss account. Black Scholes valuations of these rights resulted in amounts of $4.6m at 29 September 2016 and $2.5m at 31 December 2016. The difference of $2.1m between these valuations has been credited to the profit and loss account.

Loss before tax

Administrative expenses were overall in line with 2015, though professional services costs increased by $0.6m, the principal factor being litigation costs relating to action to protect the Group's trade secrets. There was also an impairment expense of $0.5m to write off all costs capitalised in respect of the Montana Water Depot project, following the refusal of a water permit.

Working capital

Inventories fell by $2.6m to $4.0m, reflecting both the iodine destocking referred to above and a stronger last quarter's trading compared to 2015. Changes in working capital produced a net $1.7m benefit to cash flow, and non-cash expense items, principally depreciation and amortisation, totalled $2.5m, with the result that there was net operating cash inflow of $0.5m. After capital expenditure of $0.8m and interest payments of $1.0m there was an overall net cash outflow of $1.3m.

Capital investment

The Group incurred $0.5m of expenditure on leasehold interests to secure brine supply to its iodine plants, and $0.2m on plant and equipment improvements at both its iodine extraction plants and its chemical processing plant. A further $0.1m was spent on additional leaseholds in other prospective areas.

Funding

The Group's $20m Convertible loan notes were restructured and reissued during the year with a redemption date of 1 June 2019. At the same time a $10m term loan facility was negotiated with the principal noteholder, with amounts drawn also repayable on 1 June 2019. Comprehensive details of these arrangements are set out in Notes 19 and 20.

Malcolm Lewin

Malcolm Lewin
Chief Financial Officer
Iofina plc
18 May 2017

DIRECTORS' BIOGRAPHIES

Lance J. Baller, Non-Executive Chairman

Mr. Baller was co-founder, CEO and President of Iofina Plc 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 returned as Chairman in April 2014. 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 has served as President/CEO of Iofina plc since 2014 and has led Iofina Chemical since 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. Dr. Becker is a former member of the Board of Governors of the Society of Chemical Manufacturers and Affiliates ("SOCMA").

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.

Malcolm T. Lewin, Chief Financial Officer

Mr. Lewin was named CFO and a director of the Group in November 2016 after having joined Iofina as interim CFO in February 2016. Mr. Lewin is based in the UK and has over 30 years of experience in finance and accounting for both public and private companies. As well as being a partner in a chartered accounting firm for 11 years, he has acted for various companies listed on AIM and other exchanges. In particular, from 2000 to 2003 he was the Finance Director of Oxford Metrics plc, an AIM company supplying motion capture and visual geometry systems. From 2004 to 2006 he was the Finance Director of Real Estate Investors plc, an AIM property investment company with interests in quality commercial and industrial properties. From 2006 to 2011 he was a Director and CFO of Hunter Bay Minerals plc, a junior mining company listed on the Toronto Venture Exchange with interests in South America and Canada. From 2011 to 2014 he was CFO and Treasurer of VolitionRX Limited, an OTC life sciences company focused on developing blood tests for a broad range of cancer types and other conditions. Mr. Lewin has an MA in Classics from Oxford University and qualified as a chartered accountant with Coopers & Lybrand.

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. Iodide in brine water is sourced from partnerships with oil and gas operators in the United States and is used as a raw material for the production of iodine at the Group's five IOsorb® plants. Iodine containing or other halogen based products are produced at and sold through the Company's wholly owned subsidiary Iofina Chemical, Inc., with the major raw material being the Group's produced iodine. Additionally, the Group's crystalline IOflo® iodine is sold directly to other iodine end-users.

Iodine is a rare element that is produced only in a few countries in the world, with approximately 90 percent produced from Chile (60 percent) and Japan (30 percent, including recycled waste streams). The Group produces iodine in the United States where the overall global iodine production is only a small percentage of the world's total production, but where there is a large consumption (approximately 23%) of the world's iodine by various manufacturers.

Iofina Resources, Inc. is the Group's wholly owned subsidiary which uses proprietary Wellhead Extraction Technology® (WET®) and WET® IOsorb® methods for the production of iodine from brine. The Directors of the Company believe that Iofina's unique business model for the production of iodine by utilizing produced brine from third party oil and gas producers is advantageous for long term raw material sourcing and minimized production and expansion costs.

The main focus of Iofina's current business model is the production of iodine from brine and the creation and sales of halogen derivatives through Iofina Chemical. The Directors feel strongly that diversification of the business while focusing on our core expertise is important. Iofina Resources diversifies its iodine production through five IOsorb® production plants with different brine suppliers in our core area in Oklahoma. Iofina Chemical produces many iodine based products with applications in various industries including agricultural, pharmaceutical, biocides and others. Additional diversification is realised by the production of non-iodine based products. Markets for various products can change, and Iofina Chemical's ability to produce a variety of products allows the Group to take advantage of growing markets while not being as affected by temporarily depressed or declining markets.

Although iodine prices continued to fall in 2016, which had a significant impact on the Group's gross profit margins, global iodine consumption was marginally higher. Demand for the Group's non-iodine halogen derivatives rose in 2016. The Group continues to invest in iodine exploration as Iofina Resources' focus on improving efficiencies and reducing costs in 2016 transitions to growth plans to increase iodine production at new sites in the future. Additional investment in R&D for new products and applications, and expansion of current product capacities at Iofina Chemical, position the Group well for future success.

Key Performance Indicators

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

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue from sales of iodine and iodine derivatives	$15,944,042	$14,169,530
Revenue from non-iodine products	$6,548,872	$6,159,527
Total revenue	$22,492,914	$20,329,057
Total pounds of product shipped	2,339,328	1,812,974
Metric tonnes of crystallised iodine produced	474	569
IOsorb® plants in operation (year-end)	5	5

Commentary on the above indicators is to be found in the Chairman's Statement on pages 3 to 6.

Further commentary on the results for the year and the financial position at the year end is to be found in the Financial Review on pages 7 to 8.

Objectives

At the end of 2016 the Group had five operating iodine production facilities in the Group's core area in Oklahoma. 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. As we have proven our technology and continue to improve operations at current facilities, more accurate practical capacity operating targets have been realised as well as improvements for maximising practical capacity.

Iofina Resources' continued focus in 2016 was to maximise brine supply, reduce costs, and increase iodine production efficiencies. Regulatory challenges, implemented to reduce seismic activity in the state of Oklahoma, restricted volumes of brine disposal at certain SWDs. This affected our oil and gas partners' operations, and proved to be a major focus in 2016 for the Group and its partners in order to cooperatively ensure the Group's IOsorb® plants were supplied with large volumes of brine. Exploration planning continued in 2016 as Iofina Resources begins its transition from a focus of reducing operational costs to production expansion opportunities.

Timing of future iodine production growth will be dependent on various factors including the stability or increase of iodine prices (which was seen at the end of 2016 and into early 2017), availability of and costs to produce iodine at new sites, partnership agreements, and the regulatory landscape with respect to brine injection. One such opportunity has arisen as a result of the cessation of operations at IO#3 plant described in Note 28. The Group is planning to relocate this plant to a new site with good prospects for significantly increasing overall iodine production at lower cost. The Group is also exploring alternative brine sourcing opportunities which may allow the Group to better control brine supply at future sites. In 2016 the Group restructured its convertible debt and added a $10,000,000 debt facility to allow the Group flexibility for future opportunities.

Iofina Chemical has invested in projects to increase capacities and increase the safety of its processes while reducing production costs of some of the Group's halogen derivatives, and continues to prudently invest in these opportunities. The R&D and the sales groups continue to investigate and create new opportunities for and applications of our existing portfolio of products, as well as identify and produce new halogen based derivatives for the Group in order to grow our halogen derivatives business.

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 Group continues to evaluate opportunities to integrate its IOSorb® process into its own hydrocarbon operations, 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 in our core area and in other locations.

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. The regulations on brine injections into the Arbuckle geological formation in the Group's core area due to seismic activity have affected Iofina's partners' brine disposal near some of our sites, and this has reduced some brine availability to Iofina. The Group and its partners have implemented and continue to implement strategies to minimise the effect on the availability of iodine rich brine to Iofina due to these regulations. Moving forward the Group and its partners will continue to monitor these risks and act accordingly. While the frequency and intensity of earthquakes have significantly reduced in Oklahoma, and this reduction is likely a result of regulated changes in brine disposal into the Arbuckle formation, there is still risk of additional earthquakes and regulation moving forward.

Price volatility: The demand for, and prices of, iodine are highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, the price and availability of alternatives, actions taken by governments and 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 prices and, in particular, a material decline in the price of iodine would have a material adverse effect on the Group's business, financial condition and operations. Price fluctuations of other major raw materials used by Iofina would likely impact its operations as well. Declining iodine prices in 2016 had a significant impact on margins. Recent stabilisation of iodine prices in late 2016 and increases in iodine prices in early 2017 are a positive sign for the Group but are not guaranteed to continue. The Group stands to benefit directly from increases in iodine prices. Current low natural gas and iodine prices have prevented us from capitalising on the 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 2016, 20 percent (2015: 26 percent) of revenue recognised was attributable to one long term customer, a distributor. Relations with this customer are good.

Key partners: Iofina partners with third party oil and gas producers to process iodine rich brine they extract with oil and gas production. With the recent fluctuation of oil and gas prices in the US, the financial stability of oil and gas producers is less certain than a few years ago. Any changes in operator status is a risk to brine production and availability. The Group has agreements with our partners to reduce any risk of change in status.

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 refinancing during the year of the Company's $20,000,000 Convertible Loan Notes and the arrangement of a new $10,000,000 Term Loan Facility are set out in Notes 19 and 20 respectively. On the basis of the terms of these arrangements the directors consider that at its current stage of development 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 these reasons, 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

18 May 2017

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2016.

Strategic report

In accordance with S414C (11) of the Companies Act 2006: included in the Strategic Report on pages 11 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

Post balance sheet events are set out in note 28.

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 profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the directors are required to:

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

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

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

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

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 how these risks are managed, including 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:

Lance J. Baller, Non-Executive Chairman
Dr. William D. Bellamy Non-Executive Director
Dr. Thomas M. Becker, Chief Executive Officer and President
Malcolm T. Lewin, Chief Financial Officer, appointed 4 November 2016
Neil K.Hekking, Chief Financial Officer, appointed 28 October 2015, resigned 15 February 2016.

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

RSM 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
18 May 2017

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. All the Directors remain committed to high standards of corporate governance and consider that the Board progressively adopts best practices. The following sections describe how the Board has applied the principles that they consider relevant to a company of Iofina's size and stage of development.

Board structure and committees

The Board currently comprises 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 Chief Financial Officer, 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

Remuneration provided to each director was as follows:

	2016			2015		
	Salary	Bonus	Total $	Salary	Bonus	Total $
Lance Baller	107,519	-	107,519	107,477	-	107,477
Dr. Thomas M. Becker	208,000	-	208,000	207,692	-	207,692
Malcolm Lewin	22,307	-	22,307	-	-	-
Neil Hekking	15,580	-	15,580	24,923	-	24,923
Michael Coddington	-	-	-	102,904	-	102,904
William Bellamy	30,000	-	30,000	30,000	-	30,000
Total	**$383,406**	**-**	**$383,406**	**$472,996**	**-**	**$472,996**

No pension contributions were paid on behalf of the directors in 2015 or 2016.

Directors' and officers' insurance is in place as regards the directors.

The interests of the directors in office as at 31 December 2016 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 2016	1 January 2016
L J Baller (1)	4,500,000	4,500,000
Dr. T M Becker	-	-
W D Bellamy	-	-
M T Lewin	-	-

(1) Comprised of beneficial ownership of shares.

In addition to these shares Dr. T M Becker was granted options for 250,000 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 2016.

On behalf of the Board

Dr. Thomas M. Becker
Chief Executive Officer and President
18 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOFINA PLC

Opinion on financial statements

We have audited the Group and parent Company financial statements ("the financial statements") on pages 23 to 63. 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.

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 2016 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.

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 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 and based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 16 to 17, 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.

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.

GRAHAM RICKETTS (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
18 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Revenue	3	22,492,914	20,329,057
Cost of sales	4	(19,792,197)	(15,991,489)
Gross profit		**2,700,717**	**4,337,568**
Administrative expenses	4	(6,019,794)	(5,909,321)
Impairment expense	12	(469,263)	–
Finance expense	6	(2,093,693)	(1,755,450)
Finance income	7	923	16,302
Revaluation of derivative liability	19	2,108,528	–
Loss before taxation	4	**(3,772,582)**	**(3,310,901)**
Taxation	8	108,308	334,413
Loss for the year attributable to owners of the parent		**$(3,664,274)**	**$(2,976,488)**
Other comprehensive income – items that may subsequently be reclassified through profit or loss			
Foreign currency differences on translating foreign operations		(5,597)	(13,269)
Other comprehensive income for the year, net of income tax		**(5,597)**	**(13,269)**
Total comprehensive income for the year attributable to owners of the parent		**$(3,669,871)**	**$(2,989,757)**
Basic and diluted loss per share attributable to owners of the parent	9	$(0.029)	$(0.023)

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Note	31 December 2016 $	31 December 2015 $
Assets			
Non-current assets			
Intangible assets	10	4,631,254	4,813,948
Goodwill	11	3,087,251	3,087,251
Property, plant and equipment	12	21,992,730	23,350,798
Total non-current assets		**29,711,235**	**31,251,997**
Current assets			
Inventories	13	3,956,338	6,558,521
Trade and other receivables	15	4,096,495	2,853,274
Cash and cash equivalents	16	2,815,712	4,156,776
Total current assets		**10,868,545**	**13,568,571**
Total assets		**$40,579,780**	**$44,820,568**
Equity and liabilities			
Current liabilities			
Trade and other payables	17	5,045,111	4,450,709
Total current liabilities		**5,045,111**	**4,450,709**
Non-current liabilities			
Deferred tax liability	18	282,233	330,541
Deferred consideration	17	-	120,000
Convertible loan notes	19	16,021,304	19,173,266
Convertible loan notes – derivative liability	19	2,528,602	-
Total non-current liabilities		**18,832,139**	**19,623,807**
Total liabilities		**$23,877,250**	**$24,074,516**
Equity attributable to owners of the parent			
Issued share capital	21	2,292,683	2,292,683
Share premium		48,991,647	48,991,647
Share-based payment reserve		1,634,390	1,634,390
Equity reserve		-	2,133,501
Retained earnings		(30,283,145)	(28,378,721)
Foreign currency reserve		(5,933,045)	(5,927,448)
Total equity		**$16,702,530**	**$20,746,052**
Total equity and liabilities		**$40,579,780**	**$44,820,568**

The financial statements on pages 23 to 63 were approved and authorised for issue by the Board and were signed on its behalf on 18 May 2017.

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to owners of the parent						
	Share capital	Share premium	Share-based payment reserve	Equity reserve	Retained earnings	Foreign currency reserve	Total equity
	$	$	$	$	$	$	$
Balance at 1 January 2015	**$2,292,683**	**$48,991,647**	**$1,634,390**	**$1,885,289**	**$(25,402,233)**	**$(5,914,179)**	**$23,487,597**
Transactions with owners							
Adjustment to equity component of convertible loan notes	–	–	–	248,212	–	–	248,212
Total transactions with owners	**–**	**–**	**–**	**248,212**	**–**	**–**	**248,212**
Loss for the year attributable to owners of the parent	–	–	–	–	(2,976,488)	–	(2,976,488)
Other comprehensive income							
Exchange differences on translating foreign operations	–	–	–	–	–	(13,269)	(13,269)
Total comprehensive income attributable to owners of the parent	**–**	**–**	**–**	**–**	**(2,976,488)**	**(13,269)**	**(2,989,757)**
Balance at 31 December 2015	**$2,292,683**	**$48,991,647**	**$1,634,390**	**$2,133,501**	**$(28,378,721)**	**$(5,927,448)**	**$20,746,052**
Transactions with owners							
Adjustment on derecognition of convertible loan notes	–	–	–	(373,651)	–	–	(373,651)
Transfer on derecognition of convertible loan notes	–	–	–	(1,759,850)	1,759,850	–	–
Total transactions with owners	**–**	**–**	**–**	**(2,133,501)**	**1,759,850**	**–**	**(373,651)**
Loss for the year attributable to owners of the parent	–	–	–	–	(3,664,274)	–	(3,664,274)
Other comprehensive income							
Exchange differences on translating foreign operations	–	–	–	–	–	(5,597)	(5,597)
Total comprehensive income attributable to owners of the parent	**–**	**–**	**–**	**–**	**(3,664,274)**	**(5,597)**	**(3,669,871)**
Balance at 31 December 2016	**$2,292,683**	**$48,991,647**	**$1,634,390**	**$–**	**$(30,283,145)**	**$(5,933,045)**	**$16,702,530**

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Cash flows from operating activities		
Loss before taxation	(3,772,582)	(3,310,901)
Adjustments for:		
Depreciation	1,777,493	1,778,823
Amortisation	268,375	268,375
Capital construction costs in progress expensed	–	237,162
Impairment expense	469,263	–
Finance expense	2,093,693	1,755,450
Finance income	(923)	(16,302)
Revaluation of derivative liability	(2,108,528)	–
	(1,273,209)	712,607
Changes in working capital		
(Increase)/decrease in trade and other receivables	(1,243,221)	1,064,736
Decrease/(increase) in inventories	2,433,229	(3,006,289)
Increase in trade and other payables	534,406	919,974
Net cash inflow/(outflow) from operating activities	**451,205**	**(308,972)**
Cash flows from investing activities		
Interest received	923	16,302
Acquisition of intangible assets	(135,681)	(335,750)
Acquisition of property, plant and equipment	(669,735)	(1,053,548)
Net cash outflow from investing activities	**(804,493)**	**(1,372,996)**
Cash flows from financing activities		
Interest paid	(982,179)	(1,114,720)
Net cash outflow from financing activities	**(982,179)**	**(1,114,720)**
Net decrease in cash and cash equivalents	**(1,335,467)**	**(2,796,688)**
Effects of foreign exchange	(5,597)	(13,269)
	(1,341,064)	(2,809,957)
Cash and cash equivalents at beginning of year	**4,156,776**	**6,966,733**
Cash and cash equivalents at end of year	**$2,815,712**	**$4,156,776**

COMPANY BALANCE SHEET

	Note	31 December 2016 $	31 December 2015 $
Assets			
Non-current assets			
Investment in subsidiary undertakings	26	17,199,362	17,199,362
Loan to subsidiaries	26	37,315,810	39,245,534
Total non-current assets		**54,515,172**	**56,444,896**
Current assets			
Trade and other receivables	15	1,209	6,481
Cash and cash equivalents	16	105,405	61,319
Total current assets		**106,614**	**67,800**
Total assets		**$54,621,786**	**$56,512,696**
Equity and liabilities			
Current liabilities			
Trade and other payables	17	88,031	365,447
Total current liabilities		**88,031**	**365,447**
Non-current liabilities			
Convertible loan notes	19	16,021,305	19,173,266
Convertible loan notes – derivative liability	19	2,528,602	–
Total non-current liabilities		**18,549,907**	**19,173,266**
Total liabilities		**18,637,938**	**19,538,713**
Equity attributable to the owners of the parent			
Issued share capital	21	2,292,683	2,292,683
Share premium		48,991,647	48,991,647
Share-based payment reserve		1,634,390	1,634,390
Equity reserve		–	2,133,501
Retained earnings		(11,816,813)	(12,335,776)
Foreign currency reserve		(5,748,059)	(5,742,462)
Total equity		**35,983,848**	**36,973,983**
Total equity and liabilities		**$54,621,786**	**$56,512,696**

The loss for the financial year dealt with in the financial statements of the parent company was $610,887 (2015 loss $2,376,983).

The financial statements on pages 23 to 63 were approved and authorised for issue by the Board and were signed on its behalf on 18 May 2017.

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

COMPANY 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 2015	**$2,292,683**	**$48,991,647**	**$1,634,390**	**$1,885,289**	**$(9,958,793)**	**$(5,729,193)**	**$39,116,023**
Transactions with owners							
Equity component of convertible loan notes	–	–	–	248,212	–	–	248,212
Total transactions with owners	**–**	**–**	**–**	**248,212**	**–**	**–**	**248,212**
Loss attributable to owners of the parent	–	–	–	–	(2,376,983)	–	(2,376,983)
Other comprehensive income							
Exchange differences on translating foreign operations	–	–	–	–	–	(13,269)	(13,269)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(2,376,983)**	**(13,269)**	**(2,390,252)**
Balance at 31 December 2015	**$2,292,683**	**$48,991,647**	**$1,634,390**	**$2,133,501**	**$(12,335,776)**	**$(5,742,462)**	**$36,973,983**
Transactions with owners							
Adjustment on derecognition of convertible loan notes	–	–	–	(373,651)	–	–	(373,651)
Transfer on derecognition of convertible loan notes	–	–	–	(1,759,850)	1,759,850	–	–
Total transactions with owners	**–**	**–**	**–**	**(2,133,501)**	**1,759,850**	**–**	**(373,651)**
Loss attributable to owners of the parent	–	–	–	–	(610,887)	–	(610,887)
Other comprehensive income							
Exchange differences on translating foreign operations	–	–	–	–	–	(5,597)	(5,597)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(610,887)**	**(5,597)**	**(616,484)**
Balance at 31 December 2016	**$2,292,683**	**$48,991,647**	**$1,634,390**	$–	**$(11,186,813)**	**$(5,748,059)**	**$35,983,848**

COMPANY CASH FLOW STATEMENT

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Cash flows from operating activities		
Loss before taxation	(610,887)	(2,376,983)
Adjustments for:		
Finance expense	2,089,943	1,755,450
Revaluation of derivative liability	(2,108,528)	–
	(629,472)	(621,533)
Changes in working capital		
Decrease in other receivables and prepayments	5,274	8,538
(Decrease)/increase in trade and other payables	(277,414)	148,030
Net cash outflow from operating activities	**(901,612)**	**(464,965)**
Cash flows from investing activities		
Repayment of loans to subsidiaries	1,929,724	1,606,483
Net cash inflow from investing activities	**1,929,724**	**1,606,483**
Cash flows from financing activities		
Interest paid	(978,429)	(1,114,720)
Net cash outflow from financing activities	**(978,429)**	**(1,114,720)**
Net increase in cash and cash equivalents	**49,683**	**26,798**
Effects of foreign exchange	(5,597)	(13,269)
	44,086	13,529
Cash and cash equivalents at beginning of year	**61,319**	**47,790**
Cash and cash equivalents at end of year	**$105,405**	**$61,319**

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 200 Strand, London, WC2R 1DJ. The principal activities of the Company have been and continue to be investment in subsidiaries engaged in the production of iodine and iodine derivatives, including the arrangement of finance for and the provision of management services to subsidiaries.

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRIC') 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 2016 and adopted by the Group:

Standard description	Date of adoption	Impact on initial application
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.
Amendments to IAS 1: Disclosure Initiative	1 January 2016	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.
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	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.
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	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.
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	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.
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities	1 January 2016	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.

The implementation of these standards did not have a material impact on the Group's consolidated financial statements.

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

Standard description	Date of adoption	Impact on initial application
Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2017	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017	Clarifies deferred tax on unrealised losses generated by debt instruments carried at fair value.
Amendments to IAS 7: Disclosure Initiative *	1 January 2017	The amendments clarify and improve information provided to users of financial statements about an entity's financing activities.
IFRS 9 Financial Instruments	1 January 2018	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 15 Revenue from Contracts with Customers	1 January 2018	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 28 Investments in Associates and Joint Ventures	1 January 2018	Clarifies whether an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds.
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Amendments to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
Amendments to IFRS 4: Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	To address the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming insurance contracts Standard.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.
IFRS 16 Leases*	1 January 2019	The new standard recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

*not yet endorsed in the EU

Management is still evaluating these standards but does not currently expect their implementation to have a material impact on the consolidated financial statements.

c) Presentation of financial statements

The financial statements have been prepared on the historical cost convention as modified by the revaluation of financial liabilities at fair value through profit and loss.

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 2016, all research and development expenditures were expensed as incurred.

f) Going concern

The refinancing during the year of the Company's $20,000,000 Convertible Loan Notes and the arrangement of a new $10,000,000 Term Loan Facility are set out in Notes 19 and 20 respectively. On the basis of the terms of these arrangements the directors consider that at its current stage of development 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 these reasons, 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 2016. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their 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 main operating subsidiaries. U.S. Dollars is the presentational currency for the Group financial statements.

Transactions denominated in foreign currencies are translated 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 1.324 in 2016 and at 31 December 2016 was 1.234 (2015: 1.476).

j) Intangible assets

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.

Capitalised 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 capitalised 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.

Undeveloped leasehold costs

Undeveloped leasehold costs relate to the costs of acquiring brine leases in respect of the surface and mineral rights of landowners in areas of interest outside of those currently connected to the Group's operating plants.

These costs are capitalised as exploration and evaluation assets and are carried at historical cost less any impairment losses recognised. If areas leased provide brine to operating plants, the related costs are transferred to the relevant plants and amortized over the lives of those plants.

Other 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:

- Montana Atlantis plant and equipment: 10-20 percent per annum
- Buildings: 2.5 percent per annum
- Equipment and machinery:
-   IOSorb plants - 5 percent per annum
-   Vehicles and office equipment - 20 percent per annum
-   Computer equipment - 33 percent per annum

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

Freehold land is not depreciated.

l) Financial instruments

Financial liabilities

Trade and other payables

Trade and other payables 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.

Instruments where the holder has the option to redeem for cash or convert into a variable quantity of equity shares are classified separately as a loan and a derivative liability.

Where conversion results in a fixed number of equity shares, the fair value of the liability component at the date of issue 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. Where conversion is likely to result in a variable quantity of equity shares the related derivative liability is valued and included in liabilities.

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.

Derivative liabilities are revalued at fair value at the balance sheet date, and changes in the valuation amounts are credited or charged to the profit and loss account.

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 2016 and 2015, 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 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 liability component of the instrument.
- "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 according to the likelihood of their recoverability in the foreseeable future.

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

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

q) Operating leases

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

r) Share-based payments

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

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

s) Segment reporting

In identifying its operating segments, management follows the Group's service lines, which represent the main products provided by the Group and are based on the information presented to the chief operating decision maker, which is the Board. The activities of the Halogen Derivatives and Iodine segment include the production of raw iodine and the production of iodine derivatives and other non-iodine based chemical derivatives. The Montana segment includes a) the Atlantis Field project for the exploration and production of natural gas, iodine and water for use in various applications, and b) the Montana Water Depot project, which 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 - Impairment of Assets, 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 property, plant and equipment are provided in notes 10, 11 and 12. Details of impairment reviews carried out are set out in note 12.

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 the useful lives of plant and equipment as detailed in note 1k are common life expectancies for the industry. In particular, the expected useful life attributed to each IOsorb® plant is 20 years. Changes in the expected level of usage or other technological developments could impact the life and residual value of these assets.

c. Certain intangible and tangible assets are regarded as Exploration and Evaluation Assets. Details of these assets are shown in notes 10 and 12. The principal assets so treated are those relating to the Montana Atlantis Field, which has an aggregate carrying amount of $3,729,927, and the basis of the Group's judgement as regards the classification of those assets is set out in note 12. An impairment review of these assets was carried out and it was determined that the recoverable amount exceeded the aggregate carrying amount of $3,729,927, and therefore no impairment was considered to be required. The Group's rationale for carrying out this review and details of the assumptions, methodology and sensitivities relating to the calculation of the recoverable amount are set out in note 12.

d. The carrying amounts of the parent company's investment in and loans to its subsidiary Iofina Resources, Inc. total $44,410,553 whereas carrying amounts of the subsidiary's net assets excluding loans from the parent company amount to $19,713,738. There is therefore a shortfall of $24,696,815 between the parent company carrying amounts and the carrying amounts of the net assets of Iofina Resources, Inc., reflecting accumulated losses to date in that company. In view of this shortfall an assessment has been made of the present values of the cash flows related to the projects being undertaken by Iofina Resources, Inc. to determine whether any impairment losses should be recognised. The assets concerned are the IOsorb® plants in Oklahoma and the Montana Atlantis Field project. These assessments assume 20 year project lives and discount rates of 6.5% and 8% respectively have been used. Initial iodine prices assumed are within the range of market prices experienced by the Group at the end of 2016. The Group has concluded that the present values of the cash flows related to these assets exceed the shortfall in net asset carrying amounts of $24,696,814, and therefore there is no need to recognise any impairment losses.

e. The derivative liability relating to share conversion rights attaching to the convertible loan notes has been valued using the Black Scholes model.

3. Segment reporting

a. **Business segments -** The Group reports its business segments in line with IFRS 8 – Operating Segments, 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 consolidated management accounts for the companies within the Group. The costs of Iofina plc are included within unallocated corporate expenses.

	Halogen Derivatives and Iodine	Montana	Unallocated Corporate Expenses	Total
Year ended 31 December 2016	**$**	**$**	**$**	**$**
Revenue	22,492,914	–	–	22,492,914
Gross profit	2,700,717	–	–	2,700,717
Impairment	–	(469,263)	–	(469,263)
Segment result	**$(2,012,472)**	**$(1,040,916)**	**$(610,886)**	**$(3,664,274)**
Year ended 31 December 2015	**$**	**$**	**$**	**$**
Revenue	20,329,057	–	–	20,329,057
Gross profit	4,337,568	–	–	4,337,568
Segment result	**$(250,222)**	**$(683,696)**	**$(2,042,570)**	**$(2,976,488)**

	31 December 2016	31 December 2015
Assets	**$**	**$**
Halogen Derivatives and Iodine	36,646,449	40,091,220
Montana	3,826,719	4,661,549
Unallocated Corporate	106,612	67,800
Total	**$40,579,780**	**$44,820,569**
Liabilities		
Halogen Derivatives and Iodine	4,957,083	4,205,262
Montana	–	–
Unallocated Corporate	18,920,171	19,869,254
Total	**$23,877,254**	**$24,074,516**
Capital expenditure		
Halogen Derivatives and Iodine	805,416	1,136,592
Montana	–	252,706
Total	**$805,416**	**$1,389,298**
Depreciation/amortisation		
Halogen Derivatives and Iodine	1,583,507	1,579,928
Montana	462,361	467,270
Montana - impairment	469,263	–
Total	**$2,515,131**	**$2,047,198**

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 amortization 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.

	31 December 2016 $	31 December 2015 $
Assets		
UK	106,612	67,800
USA	40,473,168	44,752,768
Total	**$40,579,780**	**$44,820,568**
Liabilities		
UK	18,637,938	19,538,713
USA	5,239,316	4,535,803
Total	**$23,877,254**	**$24,074,516**
Revenue		
North America	12,614,614	10,904,639
Asia	8,924,390	8,541,610
South America	762,570	185,953
Europe	158,408	696,855
Other	32,932	–
Total	**$22,492,914**	**$20,329,057**

c. **Significant customers -** Iofina Chemical had three significant customers in 2016; one customer represents 20 percent of sales, another customer 11 percent and the third accounts for 7 percent. In 2015, the three most significant customers represented 26 percent, 12 percent and 11 percent of the total sales.

4. Loss before taxation

Loss before taxation is stated after charging:

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Depreciation expense	1,777,493	1,778,823
Amortisation expense	268,375	268,375
Impairment expense	469,263	–
Operating lease expense – land and buildings	211,255	100,049
Other:		
Annual audit fees for audit of parent company and consolidated financial statements	108,682	109,962
Fees payable to the company's auditor for other services	3,989	9,183

Cost of sales – analysis by nature

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Raw materials	7,721,858	8,090,621
Freight	579,908	535,433
Sales commission	124,012	86,349
Labour, manufacturing overhead and royalties	11,366,419	7,279,086
	$19,792,197	**$15,991,489**

Administrative expenses – analysis by nature

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Remuneration and benefits	1,975,132	2,013,685
Office expenses	146,917	179,942
Professional services	1,394,471	802,632
Travel	157,105	162,398
Rent	115,529	100,049
Other	184,772	109,124
Depreciation	1,777,493	1,778,823
Amortisation	268,375	268,375
Unabsorbed manufacturing cost	–	494,293
	$6,019,794	**$5,909,321**

Research and development expenses recognised during the period were $157,872 (2015: $231,219), and are included in administrative expenses above.

5. Staff numbers and costs

The average number of Group employees, including executive directors, and their costs were:

	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Production	73	78
Administrative	11	13
Sales	1	1
Total staff	**85**	**92**

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Wages and salaries	4,822,694	5,247,914
Social security costs	782,231	782,260
	$5,604,925	**$6,030,174**

Of the total staff costs above, $3,759,794 (2015: $4,171,881) is included within cost of sales and $1,845,132 (2015: $1,858,293) is included within administrative expenses.

Payments to directors (considered to be key management personnel) for their services during the year were as follows:

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Wages and salaries	383,406	472,996
Social security costs	36,265	14,716
Total directors' cost	**$419,671**	**$487,682**

Included within wages and salaries above is $208,000 (2015: $207,692) in respect of the highest paid director. No options were exercised by a director in 2016.

6. Finance expense

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Convertible loan notes:		
Interest paid	978,429	1,114,720
Interest deferred and capitalised	255,527	–
Total interest payable	1,233,956	1,114,720
Amortisation of discount on convertible loan notes settled 29 September 2016	453,079	640,730
Amortisation of convertible loan notes issued 29 September 2016	402,907	–
	2,089,942	1,755,450
Other interest payable	3,751	–
Total finance expense	**$2,093,693**	**$1,755,450**

The convertible loan notes are described in note 19 below.

7. Finance income

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Interest income	923	16,302
	$923	**$16,302**

8. Taxation

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Tax expense/(credit) comprises:		
Deferred tax credit	(108,308)	(334,413)
	$(108,308)	**$(334,413)**

	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Tax reconciliation:		
Loss on ordinary activities before tax	(3,772,582)	(3,310,901)
Tax at UK income tax rate of 20.00% (2015: 20.25%)	(754,517)	(670,457)
Effects of:		
Temporary differences	258,825	239,584
Permanent differences	1,870	4,455
Losses not recognised for deferred tax purposes	493,822	426,418
Deferred tax on amortisation of intangibles	(108,308)	(334,413)
Total tax credit	**$(108,308)**	**$(334,413)**

The Group has accumulated tax losses of approximately $30,000,000 (2015: $27,400,000) 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 2026.

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

9. Loss per share

The calculation of loss per ordinary share is based on a loss attributable to shareholders of $3,664,274 (2015: $2,976,488) and the weighted average number of ordinary shares outstanding of 127,569,398 (2015: 127,569,398). 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 1,075,000 outstanding share options and the two convertible notes (see note 19) would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of IAS 33.

10. Intangible assets (Group)

	Exploration and Evaluation Assets Montana Atlantis Field	Exploration and Evaluation Assets Oklahoma Undeveloped Leasehold	Other intangible assets (see below)	Total
	$	$	$	$
Cost				
At 31 December 2014	3,533,405	321,916	3,843,671	7,698,992
Transfers to Property, Plant and Equipment (Note 12)	(125,000)	(137,677)	–	(262,677)
Additions	-	335,750	–	335,750
At 31 December 2015	3,408,405	519,989	3,843,671	7,772,065
Transfers to Property, Plant and Equipment (Note 12)	(50,000)	–	–	(50,000)
Additions	-	135,681	–	135,681
At 31 December 2016	**$3,358,405**	**$655,670**	**$3,843,671**	**$7,857,746**
Accumulated amortization				
At 31 December 2014	950,785	–	1,738,957	2,689,742
Charge for the year	–	–	268,375	268,375
At 31 December 2015	950,785	–	2,007,332	2,958,117
Charge for the year	–	–	268,375	268,375
At 31 December 2016	**$950,785**	**–**	**$2,275,707**	**$3,226,492**
Carrying amounts				
At 31 December 2014	2,582,620	321,916	2,104,714	5,009,249
At 31 December 2015	2,457,620	519,989	1,836,339	4,813,948
At 31 December 2016	**$2,407,620**	**$655,670**	**$1,567,964**	**$4,631,254**

Montana Atlantis Field exploration and evaluation carrying amounts of $2,407,620 relate primarily to the costs of acquiring leases to explore, drill and produce oil and gas, and also certain drilling costs themselves, in respect of the Group's Atlantis Field iodine/natural gas project in Montana. Additional carrying amounts of this project of $1,322,307 are recorded as property, plant and equipment as detailed in Note 12. Further details of the exploration and evaluation status of the aggregate project carrying amounts of $3,729,927, and an impairment review carried out on those aggregate amounts as of 31 December 2016, are provided in Note 12.

Oklahoma undeveloped leasehold costs relate to the costs of acquiring brine leases in respect of the surface and mineral rights of landowners in areas of interest outside of those currently connected to the Group's operating plants.

Details of other intangible assets are set out below.

Other intangible assets

	WET® patent	Customer relationships	Patent portfolio	EPA registrations	Total
	$	$	$	$	$
Cost					
At 31 December 2014, 31 December 2015 and 31 December 2016	**$2,700,000**	**$660,671**	**$212,000**	**$271,000**	**$3,843,671**
Accumulated amortization					
At 31 December 2014	977,404	363,625	126,928	271,000	1,738,957
Charge for the year	180,000	65,000	23,375	-	268,375
At 31 December 2015	1,157,404	428,625	150,303	271,000	2,007,332
Charge for the year	180,000	65,000	23,375	-	268,375
At 31 December 2016	**$1,337,404**	**$493,625**	**$173,678**	**$271,000**	**$2,275,707**
Carrying amounts					
At 31 December 2014	1,722,596	297,046	85,072	–	2,104,714
At 31 December 2015	1,542,596	232,046	61,697	–	1,836,339
At 31 December 2016	**$1,362,596**	**$167,046**	**$38,322**	**–**	**$1,567,964**

Other intangible assets were acquired in the acquisition of H&S Chemical in 2009.

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 Iofina Chemical 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 amortization period is 7.5 years

Customer relationships

The amount capitalised relates to the acquisition of Iofina Chemical and the then existing customer base. The initial useful life was 10 years and the remaining amortization period is approximately 2.5 years.

Patent portfolio

This includes all patents held by Iofina Chemical 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 2016, 31 December 2015 and 31 December 2014	**$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)

	Exploration and Evaluation Assets						
	Montana Atlantis Field	Montana Water Depot	Freehold Land	Buildings	Equipment and Machinery	Construction in Progress	Total
	$	$	$	$	$	$	$
Cost							
At 31 December 2014	6,797,920	–	209,000	1,508,593	23,093,849	1,094,442	32,703,804
Transfers	(956,505)	166,557	–	–	1,657,905	(605,280)	262,677
Additions	–	252,706	–	34,444	579,248	187,150	1,053,548
Disposals	–	-	–	–	-	(237,164)	(237,164)
At 31 December 2015	5,841,415	419,263	209,000	1,543,037	25,331,002	439,148	33,782,865
Transfers	–	50,000	–	–	26,320	142,633	218,953
Additions	–	–	–	13,520	553,609	102,606	669,735
Disposals	–	(469,263)	–	–	(35,379)	–	(504,642)
At 31 December 2016	**$5,841,415**	–	**$209,000**	**$1,556,557**	**$25,875,552**	**$684,387**	**$34,166,911**
Accumulated depreciation							
At 31 December 2014	4,120,192	–	–	184,153	4,348,899	–	8,653,244
Transfers	(530,715)	–	–	–	530,715	–	–
Charges for the year	467,270	–	–	44,126	1,267,427	–	1,778,823
At 31 December 2015	4,056,747	–	–	228,279	6,147,041	–	10,432,067
Charges for the year	462,361	–	–	48,836	1,266,296	–	1,777,493
Impairment		469,263					469,263
Disposals	–	(469,263)	–	–	(35,379)	–	(504,642)
At 31 December 2016	**$4,519,108**	–	–	**$277,115**	**$7,377,958**	–	**$12,174,181**
Carrying amounts							
At 31 December 2014	2,677,728	–	209,000	1,324,440	18,744,950	1,094,442	24,050,560
At 31 December 2015	1,784,668	419,263	209,000	1,314,758	19,183,961	439,148	23,350,798
At 31 December 2016	**$1,322,307**	–	**$209,000**	**$1,279,442**	**$18,497,594**	**$684,387**	**$21,992,730**

Montana Atlantis Field exploration and evaluation carrying amounts of $1,322,307 relate primarily to drilling and other equipment acquired, and facilities and pipelines constructed, during the initial phase of the Group's Atlantis Field iodine/natural gas project in Montana. Additional carrying amounts of this project of $2,407,620 are recorded as intangible assets as detailed in Note 10.

The Group considers that the aggregate carrying amounts of $3,729,927 of this project are appropriately classified as exploration and evaluation assets, on the basis that technical feasibility and commercial viability have not yet been established. In particular, the subsurface information from wells drilled relates to only a minor proportion of the projected reservoir area that is based on an independent reserve report. Secondly, the current development model calls for the utilisation of electric submersible pumps. This technology, while proven in other oil and gas operations, has not so far been applied in the Atlantis Field. Further substantial investment is required to reduce these key risks sufficiently to move these assets from exploration and evaluation to development.

In view of a further decline in iodine prices and continuing low natural gas prices in 2016, the Group considered it appropriate to carry out an impairment review of the Atlantis Field project as of 31 December 2016. For this purpose the project is regarded as a single cash generating unit, and the review was done by updating the value in use model used for the impairment review carried out as of 31 December 2015. The recoverable amount calculated exceeds the aggregate carrying amounts of the project of $3,729,927, and therefore no impairment is considered to be required.

Key assumptions in the value in use model are:

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

The model calculations are based on experience from the production of gas and iodine in the initial phase of the project. Costs and prices have been updated to reflect current market prices. The iodine price assumed is within the range of market prices experienced by the Group at the end of 2016. A discount rate of 8 percent has been used based on the Group's historical cost of capital as well as the reduced risk of the project based on the results from the initial phase. A project life of 20 years has been used, on the basis of the recoverable amount of iodine and natural gas determined by an independent reserve report and the assumptions about recoverability described above. A 10 percent decrease in the iodine price or a 20 percent decrease in the natural gas price would cause the net present value derived from the model to be close to the aggregate carrying amounts of the project of $3,729,927.

Montana Water Depot carrying amounts of $419,263 at 31 December 2015 primarily comprise the cost of land and other property rights, and surveying and engineering services, related to the Fresh Water Depot project in Montana that was operated by Atlantis Water Solutions ("AWS"). In August 2016 the Group received a ruling on the Judicial Review hearing regarding AWS' water permit application, which confirmed the denial of the permit. At this time the Group will no longer provide any resources towards this non-core project. Therefore a 100% impairment provision of $469,263 has been made in respect of all amounts capitalised that are specific to the project.

Included in Equipment and Machinery are carrying amounts of $159,505 in respect tangible assets at undeveloped leasehold sites, which are regarded as exploration and evaluation assets.

13. Inventories

Group	31 December 2016 $	31 December 2015 $
Raw materials	627,792	1,059,220
Work in progress	2,634,060	4,044,562
Finished goods	694,486	1,454,739
	$3,956,338	**$6,558,521**

At year end, there were no provisions against the carrying value of inventories (2015: nil). During the year, the cost of inventories recognised as expense and included in 'cost of sales' amounted to $19,258,126 (2015: $13,430,383).

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 asset 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 2016 for the long-term convertible debt obligations are as follows:

	$
2016	–
2017	–
2018	–
2019	20,255,527
2020	–
	$20,255,257

Financial assets and liabilities

Group

2016	Loans and receivables $	Financial liabilities at amortised cost $	Derivative liability at fair value $	Total $
Cash and cash equivalents	2,815,712	–	–	2,815,712
Trade receivables	3,748,063	–	–	3,748,063
				$6,563,775
Trade payables	–	2,255,117	–	2,255,117
Accrued liabilities	–	2,789,997	–	2,789,997
Convertible loan notes	–	16,021,305	–	16,021,305
Derivative liability	–	–	2,528,602	2,528,602
				$23,595,021
2015				
Cash and cash equivalents	4,156,776	–	–	4,156,776
Trade receivables	2,335,859	–	–	2,335,859
				$6,492,635
Trade payables	–	1,628,267	–	1,628,267
Accrued liabilities	–	2,822,442	–	2,822,442
Deferred consideration	–	120,000	–	120,000
Convertible loan notes	–	19,173,266	–	19,173,266
				$23,743,975

Company

2016	Loans and receivables $	Financial liabilities at amortised cost $	Derivative liability at fair value $	Total $
Cash and cash equivalents	105,405	–	–	105,405
Loan to subsidiaries	37,325,810	–	–	37,325,810
				$37,431,215
Accruals	–	88,031	–	88,031
Convertible loan notes	–	16,021,305	–	16,021,305
Derivative liability	–	–	2,528,602	2,528,602
				$18,637,938
2015				
Cash and cash equivalents	61,319	–	–	61,319
Loan to subsidiaries	39,245,534	–	–	39,245,534
				$39,306,853
Accruals	–	365,447	–	365,447
Convertible loan notes	–	19,173,266	–	19,173,266
				$19,538,713

The derivative liability at fair value is valued on the basis of Level 2 inputs as defined in IFRS 13.

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 2016, all surplus funds were invested in checking and savings accounts that had no terms and were 100% liquid.

The interest rate on the $20,000,000 Convertible Loan Notes is fixed at 5% per annum. The annual interest payable on the Notes is $1,000,000. At the Company's discretion the interest may be rolled up and capitalised. At 31 December 2016 all interest payable from the date of issue of the Notes, amounting to $255,527, had been rolled up and capitalised.

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 $105,405 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

The maximum exposure is reflected by the carrying amount of financial assets. 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. 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 for 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.

Commodity risk

The Group is exposed to movements in the price of raw iodine. Sales of iodine based products were $15,944,042 (2015: $14,169,530). Iodine is produced internally and is the most significant cost component for iodine based products.

Derivative liability valuation risk

It is possible that future valuations of the derivative liability attaching to share conversion rights forming part of the convertible loan notes could increase significantly, resulting in substantial charges to the profit and loss account.

15. Trade and other receivables

Group

	31 December 2016 $	31 December 2015 $
Trade receivables	3,748,063	2,335,859
Prepayments and other receivables	348,432	517,415
	$4,096,495	**$2,853,274**

Company

	31 December 2016 $	31 December 2015 $
Prepayments and other receivables	1,209	6,481
	$1,209	**$6,481**

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

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

16. Cash and cash equivalents

Group

	31 December 2016 $	31 December 2015 $
Cash in US Dollar accounts	2,710,307	4,095,457
Cash in GB Pound Sterling accounts	105,405	61,319
	$2,815,712	**$4,156,776**

Company

	31 December 2016 $	31 December 2015 $
Cash in GB Pound Sterling accounts	105,405	61,319
	$105,405	**$61,319**

17. Trade and other payables

Group

	31 December 2016 $	31 December 2015 $
Trade payables	2,255,117	1,628,267
Accrued expenses and deferred income	2,789,994	2,822,442
	$5,045,111	**$4,450,709**

Company

	31 December 2016 $	31 December 2015 $
Trade payables	–	–
Accrued interest and expenses	88,031	365,447
	$88,031	**$365,447**

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

The amount of $120,000 relating to deferred consideration that was classified as a non-current liability at 31 December 2015 is now included within accrued expenses and deferred income.

Except as regards the convertible loan notes, the Group and Company have not pledged any assets as collateral for any liabilities or contingent liabilities.

18. Deferred tax liability

	$
At 31 December 2014	664,954
Credit to income for the year	(334,413)
At 31 December 2015	330,541
Deferred tax provision transferred	60,000
Credit to income for the year	(108,308)
At 31 December 2016	**$282,233**

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

19. Convertible loan notes and derivative liability

	$
6 per cent unsecured convertible loan notes:	
At 31 December 2015	19,173,266
Amortisation of discount	453,079
Balance at settlement date 29 September 2016	19,626,345
Amount of new 5 per cent secured convertible loan notes allocated (see below)	(19,626,345)
	–
5 per cent secured convertible loan notes:	
Allocated to settle 6 per cent unsecured convertible loan notes (above)	19,626,345
Allocated to Equity Reserve	373,655
Total issued 29 September 2016	**$20,000,000**
Valuation of derivative liability in respect of share conversion rights	(4,637,130)
Balance of loan at 29 September 2016	**$15,362,870**
Amortisation of convertible loan notes issued 29 September 2016	402,907
Interest due that has been capitalised	255,527
Balance at 31 December 2016	**$16,021,304**
Derivative liability in respect of share conversion rights:	
Valuation at 29 September 2016	4,637,130
Revaluation movement to 31 December 2016	(2,108,528)
Valuation at 31 December 2016	**$2,528,602**

The loan balance at 29 September 2016 is stated at fair value on the basis of an effective interest rate of 15.3%. The balance at 31 December is stated on the basis of amortised cost and includes capitalised interest.

The 5 per cent secured convertible loan notes include share conversion rights where the calculation of the number of conversion shares depends on the USD to GBP exchange rate. The share conversion rights have consequently been valued separately at fair value as an embedded derivative liability in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement.

Any or all of the initial amount of $20 million due under the convertible loan notes may be converted upon 28 days notice into Ordinary Shares of the Company on the basis of converting one third of the total amount at 18p per share, one third at 25p per share, and one third at 32p per share. These conversion rights have been valued using the Black Scholes model and the following inputs:

Valuation date	**Share price**	**USD/GBP rate**	**Number of Shares**	**Risk free rate**	**Volatility**
29 September 2016	13.75p	1.30	65,084,563	0.80%	86%
31 December 2016	10.13p	1.23	68,550,399	0.80%	85%

The $20,000,000 6 per cent convertible loan notes outstanding at 31 December 2015, of $15,000,000 and $5,000,000 respectively, were refinanced as of 29 September 2016 by the issue by the Company of new 5 per cent convertible secured loan notes in the same amounts to the same note holders. The principal terms and conditions attaching to the new notes are:

a) The notes may be repaid at any time without penalty by the Company, and are redeemable at par together with capitalised interest on 1 June 2019;

b) Interest is payable quarterly in arrears at 5 per cent per annum, or at the Company's discretion may be rolled up and capitalised;

c) The notes may be converted into Ordinary Shares of the Company upon 28 days notice by the note holders, in three equal tranches at 18p, 25p and 32p per share. Capitalised interest may also be converted at 32p per share;

d) The Company may require conversion of any or all of the notes into Ordinary Shares following the publicly quoted closing price per Ordinary Share being 50p or more for at least five consecutive trading days;

e) The notes are secured against the assets of the Group, by a share pledge and a debenture granted by the Company, and by further pledges, a security agreement and guarantees granted by certain subsidiaries of the Group.

20. Term loan facility

On 29 September 2016 the Company entered into an agreement for a term loan facility of up to $10,000,000 with the holder of the $15,000,000 convertible loan note. The principal terms and conditions attaching to the facility are:

a) The facility is to be utilised for capital expenditure and working capital purposes in connection with the Company's existing business activities;

b) The Company may draw down up to $3,000,000 of the facility on request. Drawdowns in excess of $3,000,000 are dependent upon satisfactory completion of a due diligence exercise by the lender;

c) Amounts outstanding under the facility may be repaid at any time without penalty by the Company, and are repayable in full together with capitalised interest on 1 June 2019;

d) Interest is payable quarterly in arrears at 6 per cent per annum, or at the Company's discretion may be rolled up and capitalised;

e) Amounts outstanding under the facility are secured against the assets of the Group, by a share pledge and a debenture granted by the Company, and by further pledges, a security agreement and guarantees granted by certain subsidiaries of the Group.

f) While amounts are outstanding under the facility the Company is not to make payments to shareholders or other debt providers, including amounts outstanding under the convertible loan notes, without the lender's consent.

At 31 December 2016 there were no amounts outstanding under the facility. Since year end the Company has drawn down $1,000,000 of the facility.

21. Share capital

		31 December 2016	31 December 2015
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	127,569,398
	- nominal value	£1,275,694	£1,275,694

	31 December 2016 $	31 December 2015 $
Issued share capital	$2,292,683	$2,292,683
Share premium	$48,991,647	$48,991,647

The total number of voting rights in the Company's ordinary shares at 31 December 2016 was 127,569,398 (2015: 127,569,398).

	Number of ordinary shares
At 31 December 2014, 2015 and 2016	**127,569,398**

22. Share based payments

No options were granted during the current year (2015: Nil).

There were no charges or credits to profit or loss in respect of share based payments during the current year (2015: $Nil).

The weighted average contractual life of outstanding options is 3.5 years (2015 4.5 years).

Details of the number of options and the weighted average exercise price (WAEP) outstanding and exercisable at 31 December 2014, 2015 and 2016 are as follows:

Date of Grant	Number of Options	Vesting Date	Share Price £	Exercise Price £	Exercise Price 2016 $	Exercise Price 2015 $
2 July 2010	1,075,000	2 Jul 2011	0.30	0.30	0.37	0.44
Weighted average			0.30	0.30	0.37	0.44

The weighted average exercise price of all options outstanding and exercisable at year end was £0.30. Exercise prices shown in USD are based on the US Dollar/Pounds Sterling exchange rate at 31 December 2016 of 1.234 (2015 1.476). Options outstanding at 31 December 2016 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.

23. Related party transactions

In May 2013 Iofina plc executed a convertible note with Stena Investment S.à.r.l, an owner of approximately 8 percent of the outstanding common shares. In September 2016 this note was settled and Iofina plc executed a further convertible note in the amount of $15,000,000 with Stena Investment S.à.r.l. Both transactions were deemed related party transactions pursuant to AIM Rule 13. See note 19 for a description of the transactions.

There are intercompany transactions among the members of the Group. In both 2015 and 2016 all iodine produced by Iofina Resources was sold to Iofina Chemical. Related party balances are as follows:

	31 December 2016 $		31 December 2015 $	
	Due to	Due from	Due to	Due from
Iofina plc	37,325,810	10,000	39,245,534	–
Iofina Resources	–	38,189,644	1,465,803	39,245,534
Iofina Chemical	873,834	–	–	1,465,803

Additional related party transactions with directors, who are considered to be key management personnel, are set out in note 5. Option grants as described in note 22 are to employees and Directors.

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 26 months. At the balance sheet date the minimum payments are $106,659 (2015: $156,101) for the next 12 months. The lease is strictly for the use of improved realty on a stated payment basis and contains no contingent, purchase or renewal clauses.

Future minimum lease payments	**31 December 2016 $**	**31 December 2015 $**
Due in one year	106,659	156,101
Due in more than one and less than five years	121,154	338,219
Total	**$227,813**	**$494,320**

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 adjust 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 $16.7 million as at 31 December 2016 (2015: $20.7 million).

26. Subsidiary undertakings

Investment in subsidiaries

	Investment in subsidiaries $
Cost	
Balance at 31 December 2014, 2015 and 2016	**$17,199,362**

Loans to subsidiaries

	Loans to subsidiaries $
Cost	
Balance at 31 December 2014	40,852,019
Changes for the year	(1,606,485)
Balance at 31 December 2015	39,245,534
Changes for the year	(1,929,724)
Balance at 31 December 2016	**$37,315,810**

Subsidiary undertakings

Company	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	Dormant	100%
Iofina Resources, LLC	United States/TX	Dormant	100%
Iofina Resources, LLC	United States/OK	Dormant	100%
Atlantis Water Solutions, LLC	United States/MT	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.

The registered offices of the above companies are as follows:

Company	Registered office
Iofina, Inc.	8480 East Orchard Road, Greenwood Village CO 80111, USA
Iofina Resources, Inc.	8480 East Orchard Road, Greenwood Village CO 80111, USA
Iofina Chemical, Inc.	306 W. Main Street, Frankfort, KY 40601, USA
Iofina Resources, LLC (CO)	8480 East Orchard Road, Greenwood Village CO 80111, USA
Iofina Resources, LLC (TX)	815 Brazos Street, Austin TX 78701, USA
Iofina Resources, LLC (OK)	26610 CR 500, Alva OK 73717, USA
Atlantis Water Solutions, LLC	16192 Coastal Highway, Lewes DE 19958, USA

27. Capital commitments

At 31 December 2016, the Group had capital commitments of approximately $Nil (2015: $Nil).

28. Post balance sheet events

With effect from approximately the end of the first quarter of 2017 the Group's partner at the site of its IO#3 plant reduced injection volumes at the related Salt Water Disposal well. Consequently the plant has ceased operations, and planning to relocate it to a new site where it is expected to significantly increase overall iodine production is at an advanced stage. The costs of making good the present site are estimated at between $70,000 and $100,000.

29. Contingent liabilities

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

30. Ultimate controlling party

There is no ultimate controlling party of 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.

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