#05393357

Iofina

Contents

IOFINA PLC

IOFINA PLC

COMPANY INFORMATION

Directors	D J Schneider, Ph. D L J Baller J P Ploen CE Fay, CBE, Ph.D PS Chase-Gardener
Secretary	L J Baller
Company number	05393357
Registered office	82 St. John Street London EC1M 4JN
Auditor	Grant Thornton UK LLP 1 Westminster Way Oxford OX2 0PZ
Nominated Adviser	Strand Partners Limited 26 Mount Row London W1K 3SQ
Broker	Mirabaud Securities Limited 21 St James's Square London SW1Y 4JP
Solicitors	Osborne Clarke One London Wall London EC2Y 5EB
Registrar	Capita Registrars 34 Beckenham Kent BR3 4TU

The directors submit to the members their report and accounts of the group for the year ended 31 December 2008. Pages 4 to 14, including the chairman's statement and financial review form part of the directors' report.

CHAIRMAN'S STATEMENT

Introduction

We are pleased to report that the Group made substantial progress in 2008. The first half of 2008 was a period of rapid development for Iofina, in terms of both the assets and financial resources of the Group. In May, the Company completed the admission of its ordinary shares to trading on the London Stock Exchange's AIM Market ("AIM"). The Company raised over £15.1 million (gross) in an oversubscribed placing of ordinary shares during an extremely difficult time in the financial markets with backing coming from a number of leading international institutional investors. The successful fund raising in such conditions illustrates, the depth, commitment and experience of our management team, the quality of our prospects and the wider opportunity we have to develop the business in the future. We are now well capitalized, allowing management to execute its aggressive growth strategy over the next few years, while ensuring costs are carefully managed. Iofina remains on track to be the lowest cost producer of Iodine.

The second half of 2008 was focused on iodine and natural gas field development. To this end we completed the expansion of the pipeline by an additional nine (9) miles to the Iofina Express #1 pipeline which enabled the opening of additional Atlantis Prospect acreage to field development. We secured all the necessary company owned equipment for drilling, fracture stimulation, cementing, and pipeline excavation and in late October we took delivery of the Group's wholly owned drilling Rig #10 which was a new Versa-Drill® V-2095EXP. The first production wells in the Atlantis Prospect were drilled with this rig from the fourth quarter of 2008, albeit experiencing significant delays due to extreme weather. The iodine and gas separation buildings have been completed and the process facility and field laboratory installed. During 2008 we more than doubled our acreage position in Atlantis Prospect and in addition we acquired over 30,000 net acres within an area in south eastern Montana, which we named the Triton Prospect. Enhancements continue to be made to the Wellhead Extraction Technology® (WET®) which will result in higher iodine extraction recovery rates and lower operational costs. The Company ended the year with a strong balance sheet position with over £12.9million of cash and no further large infrastructure capital funding is expected.

In February 2009, the Company raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each in the Company (the "Placing Shares"), at a price of 55p per share (the "Placing") to establish Iofina Chemical's entry into the iodine derivatives market. The Placing was priced at a 12% premium to the previous day's closing price. Despite extremely difficult capital market conditions, we were delighted by the response of both new and existing institutional investors who shared our excitement and vision with respect to vertically integrating Iofina into the iodine derivatives market. We believe vertical integration through both production and derivatives should result in significantly better margins for Iofina. Additionally, this move will enhance Iofina's strategic position in the US where the large domestic blue chip end users of iodine derivatives currently rely heavily on imports from Chile and Japan.

With approximately £17million of net cash on the balance sheet upon the completion of the Placing, Iofina is fully funded to progress the Atlantis Prospect through to full development and positive cash flow generation, while at the same time moving Iofina Chemical into the iodine derivatives market. We have been in detailed discussions with a number of JV partners for the iodine chemical derivatives business and continue to assess potential acquisition targets.

Operational Update

I am pleased to announce that in the last 30 days the Company began production at our flagship Atlantis Prospect located in Montana, USA. In the January 2009 drilling update it was announced that the initial flare testing had confirmed that gas volumes exceeded the anticipated rates and we continue to remain encouraged following additional testing and processing of early production data. More detailed gas production figures will be released in due course when stabilized flow rates are achieved and the iodine extraction from the brine stream commences. We experienced unexpected delays due to technical issues surrounding brine injection. However, following approval being obtained to inject at higher pressures and completion of fracture stimulation we are now successfully underway.

Iofina continues to acquire leases for iodine and gas production whilst evaluating other similar opportunities in other parts of the United States. The price of natural gas on the NYMEX Henry-Hub Natural Gas market in the US has reduced from over $13 Mcf in July 2008 to the current price of $4.25 Mcf due to over supply from the newly drilled shale gas and declining industrial use resulting from the global recession. As at Friday, May 1, working gas in underground storage in the US was 1,918 billion cubic feet (Bcf), which is 23.3 percent above the 5-year (2004-2008) average and 34 percent above the average of 1.43 trillion cubic feet one year ago. While the current price of natural gas affects the Group we have looked for opportunities to capitalize on the recent weakness in order to build long term benefits for the Group.

Recognising this as an opportunity we have identified potential US oil and gas industry partners that may have iodine present in their existing brine streams which could benefit from working with Iofina. We have had several successful negotiations with these targeted producers and are currently obtaining brine samples that are being analyzed by our Kentucky technical center. Currently these large existing brine streams are being re-injected without the extraction of iodine. These producers had commercially viable fields on the oil and gas alone so any profit sharing that can be realized from the production of iodine from existing brine streams will be beneficial in the light of the current weakness in the price of natural gas. The Group's WET® is well suited for the extraction of iodine, gas and oil from these brine streams. All the target operators are producing between 35,000 bbls per day to 300,000 bbls per day per well cluster. Without having the CAPEX associated with the drilling of a production well, injection well, electric infrastructure, brine lines or surface facilities, Iofina is able to have a low cost CAPEX and OPEX model utilizing these different brine streams within our current WET® process and enabling us to bring on near immediate production. We are working in collaboration with the operators with a view to establishing a working relationship and mutual royalty agreement.

Additionally, Iofina's management recognized that due to the current natural gas market weakness, additional acreage in Montana at the Atlantis Prospect could be acquired at significantly reduced land acquisition cost. I am pleased to announce that we have recently acquired a further c.230,000 net acres, 17 shut-in wells, c.35 plugged wells that can be re-entered, surface facilities, access roads, pipelines and gathering systems, well and land files, land title opinions, land surveys, engineering data, and extensive seismic coverage over our project area of 2D and 3D proprietary data. The wells were drilled in 2004-2006 but encountered the co-production of iodine rich brine over time and thus were shut-in to avoid dealing with the co-produced water. The recently acquired wells, for which Iofina had previously already leased the iodine rights, will immediately be brought on-line for production, injection wells awaiting approval, clusters designed and WET® units employed to begin production. This acquisition means we have secured nearly all the attractive acreage in the Atlantis Prospect.

We continue to remain excited about Iofina's prospects in 2009 and our ability to continually create value for our shareholders.

Dr. Chris Fay CBE
Non-Executive Chairman
Iofina plc
11 May 2009

FINANCIAL REVIEW

Iofina reported a net gain of £788,729 in the year ended 31 December 2008 (2007: net loss of £394,428). The basic earnings per share was 0.94p and no dividend is being declared.

The Group's most significant financial event of the year was the public market capital financing. Following the decision made late last year to pursue a public listing in London to accelerate Iofina's growth plans, the Group was successfully admitted to AIM market of the London Stock Exchange on 9 May 2008. Iofina simultaneously raised £15.1m before expenses. The Group's unique story and growth potential was well received by the investment community resulting in a significantly oversubscribed placing and a number of new well respected international institutional shareholders becoming shareholders.

In the second half of 2008, the Group initiated the necessary infrastructure for development of the Atlantis Prospect. The Group ended the year with £956,396 in intangible assets (2007: £200,002) and £2.89 million of net property, plant and equipment (2007: nil).

The Group was also able to use funds raised from the IPO to generate £724,178 in interest and investment income (2007: £10,420).

With a net cash inflow from financing activities of £14.1 million, relating to monies raised from the AIM flotation, the Group ended the year well funded with a net cash position of £12.9 million. The Directors believe that this will be sufficient to complete the development of the Atlantis Prospect as set out at the IPO, including taking Iofina into cash generation.

In February 2009 the Company raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each in the Company (the "Placing Shares"), at a price of 55p per share (the "Placing") with respect to vertically integrating Iofina into the iodine derivatives market.

Lance Baller
Finance Director
Iofina plc
11 May 2009

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2008.

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 both iodine and natural gas which have been discovered on acreages which the Group holds. The presence of both iodine and natural gas allows the Group to generate dual revenue streams over a single cost structure. Iodine is a rare element that is only produced in a few countries in the world with over 79 per cent. coming from Chile (58 per cent.) and Japan (21 per cent.). Through the Group's wholly owned Iofina Chemical, Inc., the Group is planning to vertically integrate into the iodine derivatives market. Ensuing vertical integration through both production and derivatives results in better margins for the Company while controlling the products end use.

The Group's proprietary Wellhead Extraction Technology® (WET®) method enables the co-production of iodine from the brine, low cost production metrics and high operational efficiencies compared to other large iodine/gas fields in Mobara, Japan and Oklahoma, USA. Iofina owns a thirteen mile pipeline that ultimately links to the TransCanada pipeline. Iofina currently has leased over 60,000 net acres in the Atlantis Prospect and approximately 30,000 net acres in its Triton Prospect. MHA Petroleum Consultants, Inc., the Competent Person, estimates that as of 1 February 2008 and, based on Iofina's core c.28,000 acres at that time in the Atlantis Prospect, Iofina has 100.6 million kg of iodine in place and has 155.6Bcf of natural gas in place, making the Atlantis Prospect the largest known iodine resource in North America. The directors of the Company believe that Iofina's low cost development strategy and its dual revenue streams will provide both excellent margins and reduced revenue volatility since the two product streams are unrelated relative to their respective markets. Iofina is the first commercial producer of iodine in Montana and, so far as the Directors are aware, the only independent iodine producer in the USA.

Key Performance Indicators

Key Performance Indicators	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Iodine produced (Kg)	-	-
Natural gas produced (MCF)	-	-
Revenue	-	-
Profit (Loss) before taxation	788,279	(394,428)
Cash and cash equivalents	12,968,678	1,319,281
Ratio of current assets to current liabilities	20.18	5.71

Risks and Uncertainties

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

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

Technology: While the Group's iodine extraction technology has been tested for over 18 months in a controlled environment and shown to be effective, testing in the field has been for less than 90 days to date. As a result the Group could experience setbacks or delays in scaling of extraction and shipping delays, which may have an impact on the Group's financial results and commercial prospects.

Environmental: The Group's operations are subject to the environmental risks inherent in the exploration industry. The Group is subject to environmental laws and regulations in connection with all of its operations. Although the Group intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances, which could expose the Group to extensive liability.

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

Financial instruments: The financial risks of the Group are discussed in Note 15.

Results and dividends

The results for the year are set out in the consolidated income statement.

The directors do not recommend payment of a dividend.

Directors

The directors who served during the year were as follows:

Dr. Chris E. Fay CBE, Non-Executive Chairman (appointed 1 April 2008)
PhD. BSc, C.Eng, FREng, FRSE, FICE & FEI

Dr. Fay is the former Chairman of Expro International Group plc which was recently sold for £1.8bn to Candover. Dr. Fay is currently a non-executive director of Stena International Sarl, Brightside Group plc and Anglo-American plc (LSE:AAL, market capitalisation of £19.54 billion). Dr. Fay is Chairman of the S&SD Committee and a member of the Remuneration and Audit Committees for Anglo-American plc. From 1993-1998, Dr. Fay was Chairman and Chief Executive of Shell U.K. Limited, a leading integrated oil, gas and chemical company in the UK with a typical net income of £500 million on a turnover of £9 billion per annum, annual CAPEX of £900 million and 7,000 direct staff. Dr. Fay retired from the Shell Group in February 1999 after 30 years' service. Dr. Fay was non-executive director of The Weir Group plc 2001-2003, senior non-executive director of BAA plc 1998-2006, during which BAA was sold for £10.3 billion to the Ferrovial Consortium, Chairman of ACBE (Government Advisory Committee on Business and the Environment) 1999-2003 where Dr. Fay championed the launch of the UK's Emission Trading Scheme in 2002-2003. Educated at Leeds University where he received a BSc and a PhD in civil engineering, Dr. Fay was awarded a CBE in 1999 for services to the gas and oil industry.

Jeffrey P. Ploen, Non-Executive Deputy Chairman

Mr. Ploen is currently a director of Momentum Biofuels Inc., a biodiesel producer in Houston Texas. Mr. Ploen is also a former director of Petro Uno, a Columbian oil and gas exploration company. He was the director of finance at Navidec, Inc., now BPZ, Inc (AMEX: BZP; market capitalisation of $574 million), having raised more than $150 million in debt from the IFC (World Bank) and $140 million in equity from institutional investors. Mr. Ploen is the former CEO of Tamaron Corp., Paradigm Holdings, Inc., and Tonga Capital Corp., all of which were sold or merged into substantially larger corporations.

Paul S. Chase-Gardener, Non-Executive Director and Chairman of the Audit Committee (appointed 9 September 2008)

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

David J. Schneider, Chief Executive Officer and President

Dr. Schneider is a founder and former president of H&S Chemical, a manufacturer of speciality chemicals, of which the majority of the issued share capital was sold to Syrgis Companies in 2005. Dr. Schneider has extensive relationships with iodine buyers and sellers gained over the previous 20 years while President at H&S Chemical in the iodine derivatives markets. Dr. Schneider earned a BS in Physics and Mathematics from Northern Kentucky University, an MS in Atomic and Molecular Physics from the University of Connecticut and a PhD in Chemical Physics from the University of Cincinnati. He has extensive experience in the scale-up of chemical processes from laboratory to pilot to full scale production and is the inventor of several chemical patents over the past 10 years. Dr. Schneider is responsible for company direction, new projects, product development and EPA registrations.

Lance J. Baller, Finance Director

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

Iofina

The interests of the directors in the shares of the Company at the end of the financial year and the beginning of the financial year or date of appointment, if later, were as follows:

	31 December 2008	1 January 2008 or date of appointment
J P Ploen (1)	9,440,000	14,280,000
L J Baller (2)	9,000,000	9,000,000
Dr. D J Schneider (3)	7,500,000	7,500,000
Dr. C E Fay	1,030,000	910,000
P S Chase-Gardener (4)	350,000	300,000

(1) Includes 1,200,00 shares held by J Paul Consulting in which Mr. Ploen is President and beneficial owner.
(2) The 9,000,000 shares are held by Ultimate Investments Corp. in which Mr. Baller is the beneficial owner.
(3) Includes 6,000,000 shares held by Dr. Schneider's wife Julie Schneider.
(4) Includes 283,900 shares held individually and 16,100 shares held in the Jane Chase-Gardener pension fund that Union Pension is Trustee.

In addition to these shares, Dr. Chris Fay was granted options for 100,000 shares on 9 May 2008 with an exercise price of 55 pence. P S Chase-Gardener was granted options for 100,000 shares on 9 September 2008 with an exercise price of 50 pence No other director has any interests in options in the Company.

Going concern assumption

The Company raised £13.56 million after expenses in May 2008. In view of its current stage of development, the directors do not consider that the Company needs to raise additional funds in order to realise its business plan. The directors therefore consider that it is reasonable for the financial statements to be prepared on a going concern basis.

In February 2009, the Company raised an additional £5 million (before expenses) in order to enter the iodine specialty chemical derivatives market.

Policy and practice of payments of creditors

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

During the year ended 31 December 2008 the Group, on average, paid its trade creditors within 55 days of receipt of a valid invoice (2007: 56 days). During the year ended 31 December 2008 the Company, on average, paid its trade creditors within 97 days of receipt of a valid invoice (2007: 94 days).

Post balance sheet events

In February 2009, the Group raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each in the Company (the "Placing Shares"), at a price of 55p per share (the "Placing").The net proceeds of the Placing will be primarily applied to pursue several new opportunities in the iodine specialty chemical derivatives market that have recently emerged.

Directors' responsibility for the financial statements

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP, have indicated that they are willing to continue in office. A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the Annual General Meeting.

On behalf of the Board

L J Baller
Director
11 May 2009

CORPORATE GOVERNANCE STATEMENT

The Directors support high standards of corporate governance and acknowledge the importance of the Combined Code and comply with its principles so far as is practicable and appropriate given the size and constitution of the board. The Group also complies with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance in 2005.

The Company has adopted a model code for dealing in Ordinary Shares by Directors and employees which is appropriate for an AIM-quoted company

Board structure and committees

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

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

Non-executive Directors, with the exception of the Chairman, are appointed on a contract with a three month notice period. The Chairman and the Executive Directors are appointed on a contract with a twelve month notice period. All Directors are subject to re-election. Each year, one third of the Directors are subject to re-election by rotation. The Group does not combine the role of Chairman and Chief Executive. New Directors are subject to reelection at the first AGM after their appointment.

At the year end, the Board comprised the Non-Executive Chairman, the Chief Executive, the Finance Director and two other Non-Executive Directors.

Remuneration Committee

The Remuneration Committee is composed of three Non-Executive Directors: J P Ploen (Chairman), C E Fay and P S Chase-Gardener. It is responsible for the terms and conditions and remuneration of the Executive Directors and senior management. The Remuneration Committee may consult external agencies when ascertaining market salaries. A Committee member of the Remuneration Committee will be available at the AGM to answer any shareholder questions. All matters concerning the remuneration of executive directors 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.

Remuneration Policy

The Remuneration Committee's policy is that directors' remuneration be commensurate with services provided by them to the company. The remuneration of all directors is considered by the Committee.

Audit Committee

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

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

Relations with shareholders

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

Internal controls

The Board of Directors acknowledges their 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 of Directors.

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

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

On behalf of the Board

L J Baller
Director
11 May 2009

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF IOFINA PLC - GROUP

We have audited the group financial statements of Iofina plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and notes 1 to 20. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Iofina plc for the year ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Chairman's Statement, the Financial Review, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD

IOFINA PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross loss		-	-
Administrative expenses		(756,899)	(400,329)
Finance income	6	1,585,178	10,420
Finance expense	6	-	(4,519)
Profit/(Loss) before taxation	4	828,279	(394,428)
Taxation	7	(40,000)	-
Profit/(Loss) for the year attributable to shareholders		788,279	(394,428)
Basic and diluted earnings/(loss) per share (pence)	8	0.94	(0.65)

All activities are classed as continuing.

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31 December 2008 £	31 December 2007 £
Assets			
Intangible fixed assets	9	956,396	200,002
Plant, property and equipment	10	2,897,674	-
Total non-current assets		3,854,070	200,002
Other receivables and prepayments	12	20,728	3,922
Cash and cash equivalents	13	12,968,678	1,319,281
Total current assets		12,989,406	1,323,203
Total assets		16,843,476	1,523,205
Liabilities			
Trade and other payables	14	643,524	231,275
Total current liabilities		643,524	231,275
Equity			
Issued share capital	16	938,161	221,205
Share premium	17	14,537,403	1,685,233
Share-based payment reserve		516,884	20,025
Accumulated losses		207,907	(580,372)
Foreign currency reserve		(403)	(54,161)
Total equity		16,199,952	1,291,930
Total equity and liabilities		16,843,476	1,523,205

The financial statements were approved by the Board and were signed on its behalf on 11 May 2009.

L J Baller
Director

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share Premium	Share-based payment reserve	Retained loss	Foreign currency reserve	Total equity
	£	£	£	£	£	£
Balance at 1 January 2007	**196,000**	**-**	**-**	**(185,944)**	**(40,232)**	**(30,176)**
Loss for the year	-		-	(394,428)	-	(394,428)
Currency translation adjustment	-		-	-	(13,929)	(13,929)
Net expense recognised directly in equity	-		-	-	(13,929)	(13,929)
Total recognised income and expense for the year	-		-	(394,428)	(13,929)	(408,357)
New share capital subscribed	25,205	1,685,233	-	-	-	1,710,438
Share-based payment reserve	-	-	20,025	-	-	20,025
Balance at 31 December 2007	**221,205**	**1,685,233**	**20,025**	**(580,372)**	**(54,161)**	**1,291,930**
Profit for the year	-		-	788,279	-	788,279
Currency translation adjustment	-		-	-	53,758	53,758
Net income recognised directly in equity	-		-	-	53,758	53,758
Total recognised income and expense for the year	-		-	788,279	53,758	842,037
New share capital subscribed	716,956	14,383,044	-	-	-	15,100,000
Share issue costs		(1,530,874)				(1,530,874)
Share-based payment reserve	-	-	496,859	-	-	496,859
Balance at 31 December 2008	**938,161**	**14,537,403**	**516,884**	**207,907**	**(403)**	**16,199,952**

The accompanying notes form part of these financial statements.

IOFINA PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Cash flows from operating activities		
Profit/(Loss) after taxation	788,279	(394,428)
Adjustments for:		
Depreciation	19,887	-
Investment Income	(724,178)	(10,420)
Interest expense	-	4,519
Currency translation adjustment	53,758	(13,929)
	137,746	(414,258)
Decrease/(Increase) in other receivables and prepayments	(16,807)	63,045
Increase in trade and other payables	412,249	174,542
Cash generated from/(used in) operations	533,188	(176,671)
Interest paid	-	(4,519)
Net cash inflow/(outflow) from operating activities	533,188	(181,190)
Cash flows from investing activities		
Interest received	724,178	10,420
Acquisition of property, plant and equipment	(2,917,560)	-
Acquisition of intangible assets	(756,394)	(33,933)
Net cash inflow/(outflow) from investing activities	(2,949,776)	(23,513)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	15,100,000	1,487,914
Cost of issue of ordinary share capital paid	(1,034,015)	(102,225)
Net cash inflow from financing activities	14,065,985	1,385,689
Net increase in cash and cash equivalents	11,649,397	1,180,986
Cash and cash equivalents at beginning of year	1,319,281	138,295
Cash and cash equivalents at end of year	12,968,678	1,319,281

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The Company is a public limited company incorporated and domiciled in England.

The registered office is located at 82 St. John Street, London, EC2M 4JN. The principal activities of the Company are that of investment holding, geological and chemical consulting. The principal activities of the subsidiaries are detailed in Note 11.

a) Statement of compliance

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

b) Recent accounting developments

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group. Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning on or after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not considered relevant to the Group.

<u>IAS 23 Borrowing Costs (Revised)(effective from 1 January 2009)</u>

The revised standard requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The option currently used by the group of immediately expensing those borrowing costs will be removed. In accordance with the transitional provisions of the revised standard the group capitalises borrowing costs relating to qualifying assets for which the commencement date is on or after the effective date. No retrospective restatement will be made for borrowing costs that have been expensed for qualifying assets with a commencement date before the effective date. The adoption of this accounting policy is not expected to have a material effect on the group's results.

IFRS 3 Business Combinations (Revised 2008) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. Management does not expect the standard to have a material effect on the group's financial statements.

Amendments to IFRS 2 Share-based Payment (effective from 1 January 2009)

The IASB has issued an amendment to IFRS 2 regarding vesting conditions and cancellations. None of the group's current share-based payment schemes is affected by the amendments. Management does not consider the amendments to have a material impact on the group's financial statements.

c) Basis of preparation of financial statements

The consolidated financial statements are presented in Pounds Sterling and have been prepared on the historical cost basis.

The Group has prepared its financial information under International Financial Reporting Standards as adopted by the European Union. The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The preparation of financial statements, in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

d) Going concern assumption

In common with many exploration companies, the Group raises finance for its exploration, appraisal and development activities in discrete tranches. Further funding is raised as and when required. In February 2009, the Company raised an additional £5 million (before expenses) to pursue opportunities in the iodine specialty chemical derivatives market. At its current stage of development, the directors consider that the Group does not need to raise additional funds in order to realise its business plan with respect to the Atlantis prospect.

e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2008. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercised 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.

f) Foreign currency

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

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 the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of changes in equity 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 the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign currency reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

Iofina plc is domiciled in the UK, which is its primary economic environment and the Company's functional currency is Pounds Sterling. The Group's current operations are based in the US and the functional currency of the Group's other entities is the US Dollar. The Group plans to expand operations in its ordinary course of business to other areas which may be outside of the US.

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

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

g) Intangible assets - deferred exploration and evaluation costs

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

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

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

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

h) Plant, property and equipment

Plant, property and equipment is stated at historical cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Office, drilling and construction equipment: 20% per annum
Drilling rig: 10% per annum

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

i) Financial instruments

Financial liabilities

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

Financial assets

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

- Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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.

j) Impairment

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

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

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

k) 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 fair value of warrants issued by the Company
- "Foreign currency reserve" represents the differences arising from translation of foreign operations
- "Profit and loss reserve" represents retained profits or accumulated losses as relevant.

l) Taxation

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

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

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

m) 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 the income statement on a straight-line basis over the period of the lease.

n) Share-based payments

The cost of equity settled transactions is measured at fair value at the date of transaction as measured by use of the Black Scholes model. The cost of the share options is expensed over the vesting period, based, where necessary, on the Group's estimate of the number of shares that will eventually vest, and adjusted for ongoing market based conditions. Charges made to the income statement in respect to share based payments are credited to the share based payment reserve.

o) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Significant judgements and estimates

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

The critical judgements and estimates made in the preparation of the financial statements are set out below in accordance with the appropriate IFRS and the Company and the Group's accounting policy. The resulting accounting estimate may not equal the related actual result:

a) Intangible assets are tested for impairment where there is an indication that they may be impaired. In accordance with IAS 36, an intangible asset is considered impaired when its carrying amount exceeds its recoverable amount on an individual cash generating unit basis. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance.

b) The identification of costs qualifying for capitalisation as exploration & evaluation assets.

c) Share based payments are measured by reference to the fair value of the equity instruments at the date of grant using the Black Scholes valuation model which incorporates assumptions such as among others, the dividend growth rate, expected volatility, expected life of the options and number of options expected to vest.

3. Segment reporting

a. **Business segments** - The Group's only business segment is the exploration for, and development of, natural gas and associated iodine in certain areas of the USA. Business segments are the primary segments of the Group as products and services represent the predominant source and nature of risks and returns.

b. **Geographical segments** - The Group also reports by geographical segment. All the Group's activities are related to exploration for, and development of, natural gas and associated iodine in certain areas of the USA with support provided by the UK office. 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. There was no Group turnover in the year.

	31 December 2008	31 December 2007
Total assets	**£**	**£**
UK	12,408,466	1,374,800
USA	4,435,010	148,405
Total	**16,843,476**	**1,523,205**
Capital expenditures		
UK	-	-
USA	3,673,954	33,933
Total	**3,673,954**	**33,933**

4. Profit/(Loss) before taxation

Loss on ordinary activities is stated after charging/(crediting):

Profit/(Loss) on ordinary activities is stated after charging/(crediting):	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Fees payable to the Company's auditor for:		
the audit of the Company's financial statements	27,500	12,750
the audit of the Company's subsidiaries pursuant to legislation	-	-
Other services provided by auditor	90,542	28,000
Depreciation	19,887	-
Foreign exchange gain	(486,364)	(11,263)
Share based payments	496,859	20,025

Other services provided by the auditor in 2008 and 2007 related to services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or any of its associates.

5. Staff numbers and costs

The Group had 21 employees at the year end 2008 (2007: 0). Total wages and employment taxes (social security and unemployment) paid for employees in 2008 were £532,087 (2007: £nil). Equity settled share based payments to employees in 2008 were £52,301.

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Aggregate remuneration comprised:		
Wages and salaries	497,515	-
Social security costs	34,572	-
Total Staff Costs	**532,087**	-

In 2008, £64,833 was paid to directors for their services during the year (2007: £nil). In addition, equity settled share based payments to directors in 2008 equalled £26,150 (2007: £nil).

6. Finance income and expense

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Foreign exchange gain	861,000	-
Interest and investment income	724,178	10,420
	1,585,178	10,420
Interest expense	-	(4,519)

7. Taxation

Factors affecting the tax credit for the current year

The Group took a tax provision of £40,000 based on the retained profits of the Company after adjustments at the tax rate of 22%.

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Tax reconciliation:		
Profit/(Loss) on ordinary activities before tax	828,279	(394,428)
Tax at 22% (2007: 30%)	182,221	(118,329)
Effects (at 22%) of :		
Tax losses carried forward	(142,221)	118,329
	40,000	-

Factors that may affect future tax charges

The Group has tax losses of approximately £356,000 (31 December 2007 £580,000) carried forward which may be deductible from future taxable profits subject to agreement with the relevant tax authorities.

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

8. Profit/(Loss) per share

The calculation of profit/(loss) per ordinary share is based on a earnings before tax of £788,279 (2007: (£394,428)) and the weighted average number of ordinary shares outstanding of 84,113,001 (2007: 60,993,406). The warrants and options are not dilutive and there is, therefore, no difference between the diluted loss per share and the basic loss per share.

9. Intangible assets

	Deferred exploration Costs £
Cost	
Balance at 1 January 2007	166,069
Additions	33,933
Balance at 31 December 2007	200,002
Additions	756,394
Balance at 31 December 2008	956,396
Accumulated Amortisation	
Balance at 31 December 2007	-
Additions	-
At 31 December 2008	-
Carrying amounts	
At 31 December 2007	200,002
At 31 December 2008	956,396

Deferred exploration costs primarily relate to the costs of acquiring leases to explore, drill and produce oil and gas in certain areas of Montana.

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

10. Property, plant and equipment

	Office, Drilling & Construction Equipment	Drilling Rig	Total
Cost			
Balance at 31 December 2007	-	-	-
Additions	1,988,422	929,139	2,917,561
Balance at 31 December 2008	1,988,422	929,139	2,917,561
Accumulated Depreciation			
Balance at 31 December 2007	-	-	-
Charges for the year	19,887	-	19,887
At 31 December 2008	19,887	-	19,887
Carrying amounts			
At 31 December 2007	-	-	-
At 31 December 2008	1,968,535	929,139	2,897,674

11. Subsidiary undertakings

	Country of Incorporation and operation	Principal activity	Iofina plc Interest 2008
Iofina Inc	United States	Holding company	100%
Iofina Natural Gas Inc	United States	Exploration	100%
Iofina Chemical Inc	United States	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 Natural Gas Inc and Iofina Chemical Inc.

12. Other receivables and prepayments

	31 December 2008 £	31 December 2007 £
Other receivables and prepayments	20,728	3,922

All receivables and prepayments are short term in nature. The carrying value of other receivables is considered a reasonable approximation of fair value. All receivables have been reviewed and there are no indications of impairment. There are no receivables that are past due.

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

13. Cash and cash equivalents

	31 December 2008 £	31 December 2007 £
Cash in US Dollar Accounts	6,790,275	255,993
Cash in Pound Sterling Accounts	6,178,403	1,063,288
Cash at bank	12,968,678	1,319,281

14. Other payables

	31 December 2008 £	31 December 2007 £
Trade payables	268,891	58,099
Accrued expenses and deferred income	374,633	173,176
Total trade and other payables	643,524	231,275

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

The Group has not pledged any assets as collateral for any liabilities or contingent liabilities.

15. Financial instruments

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

Interest rate risk

Surplus funds are invested at either floating rates of interest or short-term fixed rates. The benefit of fixing rates for longer term is kept under review having regard to forecast cash requirements and the levels of return available. Given the short term nature of Iofina's financial instruments, the Group has only limited interest rate risk.

Foreign currency risk

The Group has potential transactional currency exposure in respect of items denominated in foreign currencies relating to the Group's administration in the UK. The Group occasionally makes use of dual currency deposits, derivative instruments which combines a money market deposit with a currency option, as a hedge against foreign currency risk.

The Group holds its cash balances in United States dollars to the extent considered appropriate to minimize the effect of adverse exchange rate fluctuations.

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

	2008		2007	
	USD	**Sterling**	**USD**	**Sterling**
Financial Assets	9,766,649	6,748,755	511,067	255,993
Financial Liabilities	270,955	187,230	8,706	4,361

In order to better illustrate existing currency risks, the effects of hypothetical changes in relevant currencies on net profit and equity, a currency sensitivity analysis was performed. If the Pounds Sterling were up / (down) 10% against the US dollar, the main foreign currency of the Group, as of the balance sheet date, with all other variables remaining the same equity would be £1,051,044 lower (higher).

Credit risk

Because the counterparties to the majority of Iofina's financial instruments are prime financial institutions, Iofina does not expect any counterparty to fail to meet its obligations. Consequently, the maximum exposure is reflected by the amount of trade receivables and other current assets.

Liquidity risk

The Group raises funds as required on the basis of forecast expenditure and inflows over the next twelve months. When necessary, the scope and rate of activity is adjusted to take account of the funds available. Given the short term nature of the Group's financial instruments, liquidity risk is considered minimal.

Commodity risk

The Group is exposed to movements in the price of natural gas and its byproducts, which may affect the viability of a project. Given that there were no sales of commodities during the year 2008, the Group was not exposed to any commodity risk.

Fair values

The fair values reflect the carrying amounts shown in the balance sheet.

Financial assets and liabilities	Book value	Held for trading	Loan and receivables	Amortised cost	Non financial asset/(liability)	Total
2008						
Cash and cash equivalents	12,968,678	-	12,968,678	-	-	12,968,678
Accounts receivable	20,728	-	20,728	-	-	20,728
Other non financial assets	3,854,070	-	-	-	3,854,070	3,854,070
						16,843,476
Accounts payable	(268,891)	-	-	(268,891)	-	(268,891)
Acrruals and deferred income	(374,633)	-	-	(374,633)	-	(374,633)
						(643,524)
2007						
Cash and cash equivalents	1,319,281	-	1,319,281	-	-	1,319,281
Accounts receivable	3,922	-	3,922	-	-	3,922
Other non financial assets	200,002	-	-	-	200,002	200,002
						1,523,205
Accounts payable	(58,099)	-	-	(58,099)	-	(58,099)
Acrruals and deferred income	(173,176)	-	-	(173,176)	-	(173,176)
						(231,275)

16. Share capital

		31 December 2008	31 December 2007
Ordinary shares of £0.01 (2007: £0.0033) each	- number of shares	3,000,000,000	3,000,000,000
	- nominal value	£10,000,000	£10,000,000
Allotted, called up and fully paid:			
Ordinary shares of £0.01(2007: £0.0033) each	- number of shares	93,816,117	66,361,582
	- nominal value	£938,161	£221,205

On 11 February 2008 the Company issued a bonus allotment of 132,723,316 1/3p ordinary shares, two shares for every one existing share, with a total nominal value of £442,411. Immediately following this a restructuring took place to consolidate every three ordinary shares into one new ordinary share of 1p. Following the bonus issue and share capital consolidation the number of shares in issue remained the same as at the start of the year, but the nominal value of each ordinary share had increased from 1/3p to 1p.

During the year ended 31 December 2008, the Company raised £15,100,000 less expenses through an IPO on the London Stock Exchange's AIM market. In connection with the IPO, the Company issued 27,454,545 ordinary 1p shares at a price of 55p. In addition, 1,600,000 warrants were issued to Mirabaud Securities, the placing agent and Strand Partners, the Company's nominated adviser, exercisable over a three year period at a price of 55p. The fair values of these warrants were charged to equity.

In addition, the Company issued 300,000 warrants to employees and directors of the Group during 2008. These warrants are exercisable over a three year period at a price of 55p.

17. Share premium account

	£
As at 31 December 2006	-
Premium on allotments during the year	1,807,483
Expenses of share issues	(122,250)
As at 31 December 2007	1,685,233
Premium on allotments during the year	14,825,455
Reclassification to Issued Share Capital	(442,000)
Expenses of share issues	(1,530,874)
As at 31 December 2008	**14,537,814**

18. Share-based payments

During the year ended 31 December 2008, the Company issued warrants to Mirabaud Securities Limited and Strand Partners in conjunction with the Company's share placing. The fair value of these warrants was determined using the Black-Scholes pricing model. The Group charged against the share premium account a total of £418,407 (2007: £20,025) related to this transaction. In addition, during the period, the Company issued stock options to employees and directors of the Group. The fair value of these warrants was also determined using the Black-Scholes pricing model. The Group expensed to the income statement a total of £78,451 (2007: £nil) related to these transactions.

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

Weighted average share price at date of grant:	£0.55
Weighted average exercise price	£0.55
Weighted average expected volatility	66.6%
Weighted average expected life	3 years
Risk free rate	4.69%

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

	2008 Number of Warrants	WAEP £
Outstanding at the beginning of the year	178,571	0.42
Issued during the year	1,900,000	0.55
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	2,078,571	0.54
Exercisable at the end of the year	2,078,571	0.54

19. Leases

In January 2008 the Group entered into an operating lease for office space. At the balance sheet date the minimum payments are £53,176 for the next 12 months and £103,423 for the remaining life of the lease. There are no non-cancellable subleases in place and the lease contains no significant lease arrangements that require disclosure.

20. Post balance sheet events

In February 2009 the Group raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each in the Company (the "Placing Shares"), at a price of 55p per share (the "Placing").The net proceeds of the Placing will be primarily applied to pursue several new opportunities in the iodine chemical derivatives market that have recently emerged.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF IOFINA PLC - COMPANY

We have audited the parent company financial statements of Iofina plc for the year ended 31 December 2008 which comprise the balance sheet, the statement of changes in shareholders' equity, the cash flow statement and notes C1 to C7. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Iofina plc for the year ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Statement, the Financial Review, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD

IOFINA PLC

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2008

		31 December 2008 £	31 December 2007 £
Assets			
Investment in subsidiary undertakings	C2	430,328	430,328
Total non-current assets		430,328	430,328
Loan to subsidiary	C3	3,814,556	309,369
Other receivables and prepayments	C4	20,728	2,144
Cash and cash equivalents	C5	12,387,738	1,063,287
Total current assets		16,223,022	1,374,800
Total assets		16,653,350	1,805,128
Liabilities			
Payable to Subsidiary		739,689	33,689
Trade and other payables	C6	133,659	204,333
Total current liabilities		873,348	238,022
Equity			
Issued share capital		938,161	221,205
Share premium		14,537,403	1,685,233
Share-based payment reserve		516,884	20,025
Profit and loss reserve		(212,446)	(359,357)
Total equity		15,780,002	1,567,106
Total equity and liabilities		16,653,350	1,805,128

The financial statements were approved by the Board and were signed on its behalf on 11 May 2009.

L J Baller

Director

IOFINA PLC
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share based payment reserve	Retained loss	Total equity
	£	£	£	£	£
Balance at 1 January 2007	**196,000**	**-**	**-**	**(68,911)**	**127,089**
Loss for the year	-	-	-	(290,446)	(290,446)
Total recognised income and expense for the year	-	-	-	(290,446)	(290,446)
New share capital subscribed	25,205	1,685,233	-	-	1,710,438
Share-based payment reserve	-	-	20,025	-	20,025
Balance at 31 December 2007	**221,205**	**1,685,233**	**20,025**	**(359,357)**	**1,567,106**
Profit/(Loss) for the year	-	-	-	146,911	146,911
Total recognised income and expense for the year				146,911	146,911
New share capital subscribed	716,956	14,383,044	-	-	15,100,000
Share issue costs	-	(1,530,874)	-	-	(1,530,874)
Share-based payment reserve	-	-	496,859	-	496,859
Balance at 31 December 2008	**938,161**	**14,537,403**	**516,884**	**(212,446)**	**15,780,002**

IOFINA PLC

COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Cash flows from operating activities		
Profit/(Loss) after taxation	146,911	(290,446)
Adjustments for:		
Investment income	(713,459)	(5,605)
Interest expense	-	4,519
	(566,548)	(291,531)
Decrease/(Increase) in other receivables and prepayments	(18,585)	10,632
(Decrease)/Increase in trade and other payables	(70,673)	152,227
Cash generated from operations	(655,806)	(128,673)
Interest paid	-	(4,519)
Net cash outflow from operating activities	(655,806)	(133,192)
Cash flows from investing activities		
Interest received	713,459	5,605
Loan to subsidiary	(3,505,187)	(309,369)
Loan from subsidiary	706,000	33,689
Net cash outflow from investing activities	(2,085,728)	(270,075)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	15,100,000	1,487,914
Cost of issue of ordinary share capital paid	(1,034,015)	(102,225)
Net cash inflow from financing activities	14,065,985	1,385,689
Net increase in cash and cash equivalents	11,324,451	982,422
Cash and cash equivalents at beginning of year	1,063,287	80,865
Cash and cash equivalents at end of year	12,387,738	1,063,287

NOTES TO THE COMPANY FINANCIAL STATEMENTS

The accounting policies and notes 11, 16, 17, 18 and 20 in the Group financial statements also form part of the Company financial statements.

C1. Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:-

a) Company income statement
As permitted by Section 230 of the Companies Act 1985, the income statement of the Company has not been separately presented in these financial statements.
b) Subsidiary investments
Investments in subsidiary undertakings are stated at cost less any impairment losses.

C2 Investment in subsidiaries

	Investment in subsidiaries £
Balance at 1 January 2007	430,328
Additions	-
Balance at 31 December 2007	430,328
Additions	-
Balance at 31 December 2008	430,328

C3 Loan to subsidiaries

	Loan to subsidiaries £
Cost	
Balance at 1 January 2008	309,369
Additions	3,505,187
Balance at 31 December 2008	**3,814,556**

In addition to its equity investments in subsidiaries, the Company has advanced funds to its subsidiaries for working capital purposes.

C4 Other receivables and prepayments

	31 December 2008 £	31 December 2007 £
Other receivables and prepayments	20,728	2,144

All receivables and prepayments are short term in nature. The carrying value of other receivables is considered a reasonable approximation of fair value. All receivables have been reviewed and there are no indications of impairment. There are no receivables that are past due.

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

C5 Cash and cash equivalents

	31 December 2008 £	31 December 2007 £
Cash at bank	12,387,738	1,063,287

C6 Trade and other payables

	31 December 2008 £	31 December 2007 £
Trade payables	81,659	53,738
Accrued expenses and deferred income	52,000	150,595
	133,659	204,333

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

The Group has not pledged any assets as collateral for any liabilities or contingent liabilities.

C7 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 Company has no borrowings. The Company's principal financial instruments are cash, which is invested with major banks.

Financial assets and liabilities	Book value	Held for trading	Loan and receivables	Amortised cost	Non financial asset/(liability)	Total
2008						
Cash and cash equivalents	12,387,738	-	12,387,738	-	-	12,387,738
Accounts receivable	20,728	-	20,728	-	-	20,728
Loan to subsidiaries	3,814,556	-	-	3,814,556		3,814,556
Investment in subsidiaries	4,244,884	-	-	-	430,328	430,328
						16,653,350
Accounts payable	121,659	-	-	121,659	-	121,659
Acrruals and deferred income	12,000	-	-	12,000	-	12,000
						133,659
2007						
Cash and cash equivalents	1,063,287	-	1,063,287	-	-	1,063,287
Accounts receivable	2,144	-	2,144	-	-	2,144
Loan to subsidiaries	309,369	-	-	309,369	-	309,369
Investment in subsidiaries	430,328	-	-	-	430,328	430,328
						1,805,128
Accounts payable	(53,738)			(53,738)		(53,738)
Acrruals and deferred income	150,595			150,595		150,595
						96,857

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