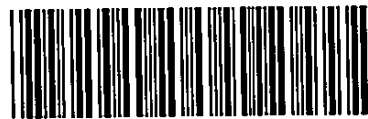


Company number: 05393357

IOFINA PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

THURSDAY



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IOFINA PLC

COMPANY INFORMATION

Directors	L J Baller F D Dorn J P Ploen CE Fay, CBE, PhD PS Chase-Gardener
Secretary	L J Baller
Company number	05393357
Registered office	82 St John Street London EC1M 4JN
Auditor	Baker Tilly UK Audit LLP 25 Farringdon Street London EC4A 4AB
Nominated Adviser	Strand Hanson 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
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Financial PR	Yellow Jersey PR Limited South Building, Upper Farm Wooton St Lawrence Basingstoke Hants RG238PE



CHAIRMAN'S STATEMENT

Introduction

We are pleased to report on a highly active and successful 2010 for the Company, a period which saw large scale Company owned-production commence, the implementation of third party brine Mid-Stream business rollout as well as the realisation of complete vertical iodine integration from the field to the sale of the final iodine derived end product through the Company's chemical division

At the end of 2009 Iofina faced several challenges. The Company had operational and execution delays at Atlantis, setbacks with the first third party contract, lagging sales at Iofina Chemical and developing concerns at the senior executive level. After a strategic review, the executive management was realigned and the Company reinvigorated and re-energised. The new executive management, consisting of Lance J. Baller as Group Chief Executive Officer, Michael Coddington as Group Finance Director, Dr. Tom Becker as President of Iofina Chemical and Forest Dorn as President & Chief Executive Officer Iofina Natural Gas, Inc. is now well positioned to make Iofina a leader in the Iodine field.

The Iodine Extraction and Stripping Facilities at Atlantis were fully operational in the year and have the capacity to handle our current production from the field as well as provide the capacity and expertise for stripping in support of the Mid-Stream Business. Although initial gas and water production rates have not met forecasts, I am confident that Forest Dorn and his team will produce a prudent phase 2 development strategy for this resource. The Board is encouraged by the development of a fresh water resource at Atlantis as Iofina seeks to secure a Joint Venture (JV) partner. This is likely to have a positive impact on the overall development of our Montana assets and make Atlantis unique. Additionally, there have been expressions of interest in the deep Bakkan potential under our acreage position in Montana. The early success from the Mid-Stream business is also encouraging and its substantial growth potential gives Iofina significant upside with a much lower capital investment. The vertical integration of iodine production and the chemical derivatives business gives us a competitive advantage and helps to de-risk our business.

In April 2011, the Company raised £2.84 million (before expenses) through an oversubscribed placing of 10,519,372 new ordinary shares of 1p each at a price of 27p per share, representing a premium to the previous day's closing price, to enhance the Company's ability to benefit from record iodine prices. The net proceeds will be used to meet Iofina's working capital requirements in relation to the optimization of its current rollout of the Mid-Stream third party iodine brine business, to secure additional sources of iodine for its chemical business, and to pursue several new potential business development opportunities. The Placing Shares were placed with existing institutional investors and represent, in aggregate, 10 per cent of the existing issued share capital of the Company being the maximum allowable under the Company's existing authorities.

Operational Update

Mid-Stream Third Party Brine Iodine Collection and Extraction

The period under review has been significant in the development of the Mid-Stream iodine collection and extraction business and we have executed five Iodine Collection and Extraction Agreements in four states. Our POD units have been deployed to three of these locations. As



expected with a start-up operation, Iofina encountered some delays in establishing consistent iodine production at each of these sites. Most of the difficulties encountered were related to filtration and operations integration, but the Board believes that the Company has now resolved the majority of the issues. The filtration issues varied at each location. In California we developed a scheme to effectively remove the remnants of heavy oil (15° gravity oil) from the brine stream. We have managed this issue with additional carbon filtration upfront and by changing the filter medium in the second stage of filtration.

In Texas, we experienced a high concentration of particulate in solution. This caused the initial filtration design to become loaded with sediment after the relatively short time of 2 weeks. Significant down time was required to periodically clean the filtration system. As was reported earlier, several different approaches were taken before a final solution was obtained. In January 2011 we were able to achieve consistent c 4,000 barrels of water per day ("BPD") flow through both PODs. California was able to achieve steady production and therefore able to collect iodine on a consistent basis. As a result of this production history a large scale, modular Iodine Extraction Unit is planned to be installed in the last quarter once all approvals are granted. We are currently working with the operator, Warren E & P on the scale-up plan and timing. In Texas, we are assessing the results of using chemicals to keep the particulate in solution. This has resulted in longer run time before having to clean the filtration system. However, this has also increased costs due to the additional chemical consumption. The existing POD will require a large absorber and transfer pump to be able to process the entire brine stream at c 8,000 to c 8,500 barrels of water per day. Achieving these rates assumes a consistent flow processed by the operator.

The other significant challenge encountered was developing and understanding each location's unique flow characteristics. In California we experienced large amounts of oil hitting our filters and absorbers causing failure delaying operations for a month while equipment was repaired and refurbished. This event occurred during drilling operations at the site. Subsequently, we have installed additional monitoring devices up stream of the POD to detect such an event. Currently the operator is conducting another drilling and work-over program, which will be monitored closely. We are confident that we will be able to minimize the impact of an upset by both our electronic and manual monitoring systems. In Texas, although we have experienced a different set of challenges, with inconsistent water flows and some water that has contained higher levels of hydrocarbons than the normal flow, we have applied the same solution here as we did in California by installing additional monitoring and by improving communication with the operator to have a more consistent disposal rate and to be alerted when less clean water is delivered.

In addition, we have taken the strategic decision to concentrate our manpower and resources to the sites with the larger flows. The next site to be developed is the Anticline Disposal site in Wyoming. We contracted for this site, which processes c 12,000 barrels of water per day, in the 1st quarter of the year. We have engineered one of the existing PODs to be able to gather production, filtration and chemical usage data more quickly. We will use the data collected to design the filtration and absorption modules to be used at this site. The new unit is designed to flow at 25 gallons per minute ("GPM"). The smaller components will allow us to collect better data in a shorter period of time. We are currently waiting for an optimum weather period to install the new smaller capacity POD at this location. The other two sites, Termo and Oklahoma Salt Water Disposal, flow at rates of less than 4,000 BPD. We have elected not to divert resources at this time to bring on the production from



these locations. We have discussed this with the operators and we will re-evaluate this decision as we establish consistent production from the other existing facilities.

Atlantis Development

Gas and Iodine Operations

Our optimism about solving our production issues to maximize gas and iodine production from the Atlantis Field has been well-founded. During the third quarter we achieved consistent production of 175,000 cubic feet of gas per day and c. 5,000 barrels of water per day. We also established that the wells were capable of producing at significantly higher rates when producing individually instead of as a group of four wells. This data was significant in that we proved that the reservoir would produce at higher rates and our surface facilities had the capacity to handle more production. In addition, the stripping facility performed very well. Iodine recoveries were improving monthly from an initial 40% recovery to a 65% recovery prior to winterizing the wells. Of significance to the third party operation we successfully and cost effectively collected iodine on multiple media types as well as carbon. We winterized the Atlantis Field operation in mid-November.

At the beginning of 2011 we finalized Phase II of our development plans for Atlantis. Our plan is to switch the existing gas lift system with electrical semisubmersible pumps or ESP, which will be installed down hole in the wells. These pumps are designed to move two to three times the volume of water that we moved with the gas lift system. Additionally, we will be installing down hole equipment to monitor the bottom hole pressure during the de-watering cycle. It is anticipated that a 4 well cluster will produce 250,000 cubic feet of gas per day and c. 7,000 barrels of water per day yielding approximately 1.2 MT per month per cluster.

Currently all costs and in particular the cost of manpower to run this operation are being reviewed. Natural gas prices have improved from \$3.69 per MCF last fall to \$4.59 currently. During the same time frame iodine prices have increased from \$33,000 to in excess of \$60,000 per metric tonne. Timing of implementing Phase II will be dependent on the on-going joint venture discussions surrounding the development of the water asset and potential deeper exploration potential under our existing acreage.

Water Operations

As we reported in December 2010 we are working to develop our water assets in Montana. Our plan is to process our produced water so that it can be discharged into the Fresno Reservoir. We have completed our initial feasibility study for the physical discharge point into the Fresno Reservoir and no major obstacles are anticipated. The next step is to conduct a mixing zone study to ensure compliance with our discharge permit. Concurrently, we are applying for water rights in Montana and North Dakota to withdraw the water downstream for industrial use. We believe our "new source" of water to the current water shed will be of value in the water rights process as well as to any joint venture partners. We have secured Letters of Intent to Purchase the water once the water rights are granted, with a large industrial user in North Dakota. They also have plans to expand their operations in Montana. This is a significant requirement to finalising the water rights.

We are in active discussions regarding a joint venture to these water rights. Although there are many legal and regulatory considerations in addition to the normal business development issues, and the



transaction is complex, we are confident we will resolve these issues during the course of negotiations

Deep Zone Potential

We have completed an exploration evaluation of the deeper horizons under our current acreage position, specifically the Bakkan, Three Forks and Sawtooth horizons. We reviewed all of the deep wells in the study area including cores and mud logs. The available seismic was included in the final interpretation. The recent activity in the Williston Basin to the east of Atlantis and current drill activity to the west and north have created greater interest in our large acreage holding. Our exploration study has indicated potential for these deeper oil and gas producing horizons. The relatively high risk associated with this exploration play demands that, prudently, we seek a partner for any potential development of these deeper rights. We plan to actively market our deep rights which will begin over the Summer of 2011.

Conclusion

In conclusion we are very pleased with the progress made in establishing our Mid-Stream extraction and collection business this past year. While we acknowledge iodine production levels are below forecast, the effort and accomplishments to date should not be underestimated. With the accomplishment made to date we look forward to increasing the production of iodine by increasing our barrels of throughput. Our efforts are keenly focused on Warren, Atlantis, the Johnson sites and Anticline. Additionally we continue to focus on the sub regions of North Texas and the LA Basin to locate and contract for more high volume iodine rich locations. At Atlantis we are excited about the potential of enhancing the development economics with the development of the water rights and the deep exploration potential. We look forward to 2011 as we increase production of gas, iodine, and water as revenue sources for Iofina.

Iofina Chemical Review

Iofina Chemical has provided the Group with direct integration into the higher margin \$2.5-3 billion USD per annum iodine chemical derivatives market. Since early 2010 Iofina has implemented a number of initiatives in order to better position the business as part of the wider integrated Company offering. We reacted to a slowing of demand in the second half of 2010, which had an impact on margins during that period. Encouragingly, we have had a good first half of 2011 with the approval of Iodomethane (methyl iodide) by the California Department of Pesticide Regulation (CDPR) in December 2010, along with other current large contract wins and new opportunities for our products. April 2011 was a strong month with \$2,265,425 in sales and \$447,195 in net income and with May continuing as another strong month. Key changes have included re-pricing of certain products, pitching for new higher margin business from existing and prospective clients, scaling back lower margin products and accounts, launching a new iodine based product, complete inventory work downs, making capacity improvements to the plant for methyl iodide (a new crop fumigant), and changes in senior management. The new management has successfully rationalised working capital, reduced operating costs and built good customer relationships.



Iodine and Natural Gas Market Outlook

After a drop in demand for iodine in 2009 reflecting the impact of the economic slowdown on several of the end products in which iodine is used, iodine demand returned strongly in the first half of 2010 but weakened in the second half of 2010. Prices remained flat for 2010 but still at record highs. As was anticipated, iodine has seen strong demand in the first quarter of 2011 with recent spot prices reaching over \$60 a kilogram, a new all time high. We expect iodine demand and prices to remain strong for the rest of 2011 but weaken in early 2012 as production upsets in both Chile and Japan are sorted out.

The price of natural gas on the NYMEX Henry-Hub Natural Gas market in the US has recovered slightly from a seven year low of \$3.18 per Mcf in 2009 to \$4.59 per Mcf on May 4, 2011. Oversupply from the newly drilled shale gas and declining industrial use resulting from the global recession contributed to the deflated value of natural gas. The decline in the price of natural gas over the past few years presents an opportunity for the industrial sector, specifically in regards to power generation, to switch from coal, which is much more expensive and emits 37 per cent more carbon dioxide, to natural gas. Because of this increase in demand we anticipate natural gas prices will continue to appreciate. The recent increase in the price of natural gas is partially due to increased consumption as a result of persistent cold weather in some consuming regions. Storage inventories, as of May 2011, remain below the 5-year average for the time of year, also contributing to the increase in natural gas prices. The decline in price over the past few years has limited new drilling operations for production companies, causing a decrease in the number of operating drilling rigs compared to past numbers.

The recent changes in pricing and demand for natural gas and iodine reaffirm the benefits of Iofina's access to multiple revenue streams. Whereas lower gas prices may have forced other companies to limit production, Iofina did not experience pressure to discontinue production. With access to both markets, the lower price of gas does not have an impact on the Group's overall business model due to its mid-stream extraction business. As the price of natural gas continues to recover from seven year lows, Iofina can expect continued increases in revenue. Iofina's mobile WET® technology remains appealing to third parties who desire the stability of natural gas, oil and iodine as multiple revenue streams. Adding a further revenue stream from the sale of water in 2011 will provide an area of revenue growth and financial capital stability.

A handwritten signature in black ink, appearing to read "Chris Fay".

Dr Chris Fay CBE

Non-Executive Chairman

Iofina plc

6 June 2011



FINANCIAL REVIEW

Iofina reported a loss of £3,328,154 in the year ended 31 December 2010 (2009 loss of £4,177,686)
The basic loss per share was 3 16p (2009 loss 4 09p) and no dividend is being declared

In 2010, the Group has concentrated efforts on maximizing Iodine recovery from the Atlantis Prospect in Montana, as well as the Third Party brine stream locations. Additional facilities are being planned to increase total annual production. At year end the Group had property, plant, and equipment of £4,588,596 (2009 £4,624,994) and deferred exploration costs of £2,166,374 (2009 £2,115,182).

The Group's opening cash position for 2010 was £6,660,325, and closing position was £3,745,945
The cash outflow of £2,914,380 was mainly due to operating losses

A handwritten signature in black ink, appearing to read "T M Coddington".

T M Coddington

Finance Director

Iofina plc

6 June 2011

DIRECTORS' BIOGRAPHIES

Dr Chris E. Fay CBE, Non-Executive Chairman

PhD BSc, C Eng, FEng, 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 Chairman, non-executive director of Stena International Sarl and Brightside Group plc. Dr Fay served as Chairman of the S&SD Committee and a member of the Remuneration and Audit Committees for Anglo-American plc from 1999 to 2010. From 1993-1998, 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 and 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 a former director of Momentum Biofuels Inc, a biodiesel producer in Houston, Texas. Mr Ploen is also a former director of Petro Uno, a Columbian oil and gas exploration company. He was the director of finance at Navitec, 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

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.

Lance J. Baller, Chief Executive Officer and President

Mr. Baller is the CEO and President of Iofina PLC, after his appointment in March 2010. Mr. Baller previously served as the Finance Director. Mr. Baller is the former managing partner of Shortline Equity Partners, Inc., a mid-market merger and acquisitions consulting and investment company in the United States. He has actively served on the investment committees, audit committees, committees on corporate governance, compensation and benefits committees, executive committees, finance committees and committees on public policy and social responsibility, while on the board of directors of companies in Asia and the United States. Mr. Baller is also a former vice president of mergers and acquisitions, financing and corporate development at Integrated Biopharma, Inc. and prior to this a vice president of the investment banking 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.

Forest Dorn, Executive Director (appointed 12 January 2010)

Mr. Dorn is the CEO and President of the Company's wholly owned subsidiary Iofina Natural Gas, Inc. Mr. Dorn brings over thirty years of broad oil and gas experience to Iofina. Prior to Mr. Dorn's appointment he was a Member/Manager of Avant Exploration, LLC since 2004. Mr. Dorn began his career with Forest Oil Corporation (NYSE: FST US\$3.35 bn cap) as a scout in Midland, Texas in 1977. He later became a landman in Midland, and in 1980 became Assistant Division Manager of the Company's MAFLA (Mississippi, Alabama and Florida) Division located in Jackson, Mississippi. In 1984 he was appointed Assistant Division Manager of the Company's Southern Division located in Lafayette, Louisiana. In 1990 he assumed the position in Denver of Division Manager - Onshore Division, and was appointed a Vice President of the Company in 1991, General Business Manager in December 1993, Senior Vice President of the Gulf Coast Region in 1996, and Senior Vice President Corporate Services in 2000 until his departure in 2004. Mr. Dorn holds a Liberal Arts Degree from the University of Arizona in Tucson where he graduated in 1977.

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2010

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 with complete vertical integration into the specialty chemical iodine derivatives business. The Group also provides third party brine stream operators with a turnkey, mid stream, fee based solution to extract iodine. The presence of both iodine and natural gas had been discovered on acreages which the Company holds through its wholly owned subsidiary Iofina Natural Gas, Inc. Iodine is a rare element that is only produced in a few countries in the world with over 78 per cent produced from Chile (53 per cent) and Japan (25 per cent). The presence of iodine and natural gas allows the Group to generate dual revenue streams over a single cost structure. Through the Group's wholly owned subsidiary Iofina Chemical, Inc., the Group is vertically integrated into the iodine derivatives market. 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 brine. Iofina currently has leased approximately 290,000 net acres in Northern Montana. 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	Year ended
	31 December	31 December
	2010	2009
	£	£
Iodine produced (Kg)	5,688	435
Natural gas produced (MCF)	22,214	4,358
Revenue	8,858,657	3,381,995
Loss before taxation	(3,323,192)	(4,125,388)
Cash and cash equivalents	3,745,945	6,660,325
Ratio of current assets to current liabilities	5.48	6.36

Based on the fact that Iofina is a junior exploration and production company, the Group did not release targets for Key Performance Indicators in either 2010 or 2009.

Principal Risks and Uncertainties

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

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

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

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.

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

Iofina is continuing to diversify its customer base in its Chemical subsidiary. In addition, Iofina works closely with all its customers to develop strong relationships with a significant focus on ensuring its products and services meet the needs of its customers and are of the highest quality.

Regulation

The businesses are subject to various significant international, federal, state and local regulations currently in effect and scheduled to become effective in the near future,

including but not limited to environmental, health and safety and import/export regulations. These regulations are complex, change frequently, can vary from country to country, and have increased over time. Iofina may incur significant expense in order to comply with these regulations or to remedy violations of them.

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

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

Results and dividends

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

The directors do not recommend payment of a dividend.

Directors

The directors who served during the year were as follows:

Dr Chris E Fay CBE, Non-Executive Chairman
 Jeffrey P Ploen, Non-Executive Deputy Chairman
 Paul S Chase-Gardener, Non-Executive Director and Chairman of the Audit Committee
 David J Schneider, Chief Executive Officer and President (resigned 14 March 2010)
 Lance J Baller, Chief Executive Officer and President
 Forest Dorn, Executive Director (appointed 12 January 2010)

Compensation provided to each director was as follows:

	2010			2009		
	Salary £	Bonus £	Total £	Salary £	Bonus £	Total £
Dr Chris E Fay	60,000	-	60,000	50,000	-	50,000
Jeffrey P Ploen	25,000	-	25,000	25,000	-	25,000
Paul S Chase-Gardener	30,000	-	30,000	25,000	-	25,000
Forest D Dorn	103,110	-	103,110	-	-	-
Lance J Baller	131,596	3,884	135,480	119,253	39,591	158,844
David J Schneider	119,253	-	119,253	119,253	39,591	158,844
Total	468,959	3,884	472,843	338,506	79,182	417,688

No pension contributions were paid on behalf of the directors in the year (2009 nil).

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

	31 December 2010	1 January 2010
J P Ploen (1)	9,440,000	9,440,000
L J Baller (2)	9,000,000	9,000,000
Dr C E Fay	1,080,000	1,030,000
P S Chase-Gardener (3)	350,000	350,000
Dr D J Schneider (4)	-	7,500,000

(1) Includes 1,200,000 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 283,900 shares held individually and 16,100 shares held in the Jane Chase-Gardener pension fund that Union Pension is Trustee

(4) Includes 6,000,000 shares held by Dr Schneider's wife, Julie Schneider

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

Going concern assumption

In April 2011, the Company raised an additional £2,840,000 (before expenses) of equity funding to pursue opportunities in the mid-stream third party brine operations market At its current stage of development, the directors consider that the Group does not need to raise additional funds in order to realise its business plan with respect to the Atlantis prospect, Mid-Stream third party brine operations or specialty chemicals business For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements

Policy and practice of payments of creditors

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

During the year ended 31 December 2010, the Group, on average, paid its trade creditors within 45 days of receipt of a valid invoice (2009 63 days)

Post balance sheet events

In addition, post balance sheet, the Group has announced several contracts with independent oil and gas operators to extract iodine from their brine streams. These deals represent a significant new revenue opportunity for the Group. The Company raised additional £2,840,000 as noted above.

Directors' responsibility for the financial statements

UK company preparing consolidated and parent accounts under IFRS – single statement of responsibilities

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

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

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

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

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

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

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

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

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

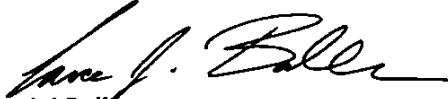
Statement as to disclosure of information to the auditor

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

Auditor

Baker Tilly UK Audit LLP was appointed as auditor of Iofina plc during the year.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'L J Baller', written in a cursive style.

L J Baller
Chief Executive Officer and President
6 June 2011

SOCIAL RESPONSIBILITY STATEMENT

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

Code of conduct

The Group maintains and requires the highest ethical standards in carrying out its business activities in regard to dealing with gifts, hospitality, corruption, fraud, the use of inside information and whistle-blowing.

Equal opportunity and diversity

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

Employee welfare

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

Joint venture partners, contractors and suppliers

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

Operating responsibly and continuous improvement

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

Environmental policy

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

CORPORATE GOVERNANCE STATEMENT

The Directors support high standards of corporate governance and acknowledge the importance of the Combined Code and apply its principles so far as is practicable and appropriate given the size of the Group and constitution of the board

Board structure and committees

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

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

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

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

Remuneration Committee

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, including the award of bonuses and share options.

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 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.

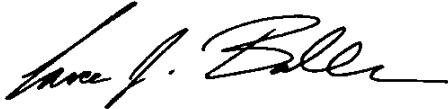
The Group's control environment is the responsibility of the Group's Directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the operational management, including key 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 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

A handwritten signature in black ink, appearing to read 'L J Baller', written in a cursive style.

L J Baller
Chief Executive Officer and President
6 June 2011

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

Independent auditor's report to the members of Iofina Plc

We have audited the group financial statements of Iofina Plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. 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.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group 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 group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- 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

Baker Tilly UK Audit LLP

Paul Watts (Senior Statutory Auditor)

For and on behalf of Baker Tilly UK Audit LLP (Statutory Auditor)

Chartered Accountants

25 Farringdon Street

London EC4A 4AB

6 June 2011

IOFINA PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Revenue		8,858,657	3,381,995
Cost of sales		<u>(7,553,732)</u>	<u>(2,813,984)</u>
Gross profit		1,304,925	568,011
Administrative expenses		(4,721,820)	(3,432,621)
Finance income/(expense)	6	93,703	(1,260,778)
Loss before taxation	4	<u>(3,323,192)</u>	<u>(4,125,388)</u>
Taxation	7	(4,962)	(52,298)
Loss for the year attributable to owners of the parent		<u>(3,328,154)</u>	<u>(4,177,686)</u>
Other comprehensive income			
Foreign currency differences on translating foreign operations		374,186	23,972
Other comprehensive income for the year, net of income tax		<u>374,186</u>	<u>23,972</u>
Total comprehensive income for the year		(2,953,968)	(4,153,714)
Basic and diluted loss per share (pence)	8	(3 16)	(4 09)

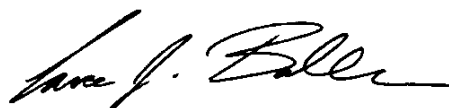
All activities are classed as continuing
The accompanying notes form part of these financial statements

IOFINA PLC
CONSOLIDATED BALANCE SHEET

	Note	31 December 2010 £	31 December 2009 restated £
Assets			
Intangible assets	9	4,250,005	4,259,283
Goodwill	10	2,129,830	2,065,740
Plant, property and equipment	11	4,588,596	4,624,994
Other non-current assets	12	52,600	118,190
Total non-current assets		<u>11,021,031</u>	<u>11,068,207</u>
Trade and other receivables	13	1,201,260	1,184,341
Inventories	14	1,341,446	1,452,162
Cash and cash equivalents	15	3,745,945	6,660,325
Total current assets		<u>6,288,651</u>	<u>9,296,828</u>
Total assets		<u>17,309,682</u>	<u>20,365,035</u>
Equity and liabilities			
Current liabilities			
Trade and other payables	16	1,145,567	1,462,727
Non-current liabilities			
Deferred tax liability	17	642,500	642,500
Total liabilities		<u>1,788,067</u>	<u>2,105,227</u>
Equity attributable to owners of the parent			
Issued share capital	19	1,051,938	1,051,938
Share premium		20,584,760	20,584,760
Share-based payment reserve		732,659	516,884
Retained earnings		(7,245,497)	(3,917,343)
Foreign currency reserve		397,755	23,569
Total equity		<u>15,521,615</u>	<u>18,259,808</u>
Total equity and liabilities		<u>17,309,682</u>	<u>20,365,035</u>

See note 1) intangible assets for 2009 restatement explanation of Intangible assets/Goodwill

The financial statements were approved and authorized for issue by the Board and were signed on its behalf on 6 June 2011.



L J Baller

Chief Executive Officer and President

Company number 05393357

The accompanying notes form part of these financial statements

IOFINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share-based payment reserve	Retained loss	Foreign currency reserve	Total equity
	£	£	£	£	£	£
Balance at 1 January 2009	938,161	14,537,403	516,884	260,343	(403)	16,252,388
Transactions with owners						
New share capital subscribed	113,777	6,325,023	-	-	-	6,438,800
Share issue costs	-	(277,666)	-	-	-	(277,666)
Total transactions with owners	113,777	6,047,357	-	-	-	6,161,134
Loss for the year attributable to owners of the parent	-	-	-	(4,177,686)	-	(4,177,686)
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	23,972	23,972
Total other comprehensive income	-	-	-	-	23,972	23,972
Total comprehensive income	113,777	6,047,357	-	(4,177,686)	23,972	2,007,420
Balance at 31 December 2009	1,051,938	20,584,760	516,884	(3,917,343)	23,569	18,259,808
Transactions with owners						
Share-based payment	-	-	215,775	-	-	215,775
Total transactions with owners	-	-	215,775	-	-	215,775
Loss for the year attributable to owners of the parent	-	-	-	(3,328,154)	-	(3,328,154)
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	-	-	374,186	374,186
Total other comprehensive income	-	-	-	-	374,186	374,186
Total comprehensive income	-	-	-	(3,328,154)	374,186	(2,953,968)
Balance at 31 December 2010	1,051,938	20,584,760	732,659	(7,245,497)	397,755	15,521,615

IOFINA PLC
CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Cash flows from operating activities		
Loss before taxation	(3,323,192)	(4,125,388)
Adjustments for		
Depreciation and amortisation	862,131	517,162
Finance income	(91,510)	(66,339)
Interest expense	-	6
Share based payment	215,775	-
Effects of foreign exchange rate changes	92,482	(29,823)
	<u>(2,244,314)</u>	<u>(3,704,382)</u>
(Increase)/Decrease in trade and other receivables	(3,765)	468,463
Decrease/(Increase) in inventories	110,716	(624,740)
Decrease in other trade and other payables	(317,160)	(2,553)
Taxes paid	(4,962)	(52,298)
Cash generated used in operations	<u>(2,459,485)</u>	<u>(3,915,510)</u>
Interest paid	-	(6)
Net cash outflow from operating activities	<u>(2,459,485)</u>	<u>(3,915,516)</u>
Cash flows from investing activities		
Interest received, tax refund	5,049	66,339
Acquisition of subsidiary	-	(5,059,505)
Acquisition of intangible assets	(4,925)	(1,158,786)
Acquisition of property, plant and equipment	(504,508)	(1,793,219)
Net cash outflow from investing activities	<u>(504,384)</u>	<u>(7,945,171)</u>
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	-	5,830,000
Cost of issue of ordinary share capital paid	-	(277,666)
Net cash inflow from financing activities	<u>-</u>	<u>5,552,334</u>
Net decrease in cash and cash equivalents	(2,963,869)	(6,308,353)
Foreign exchange on USD cash balances	49,489	-
	<u>(2,914,380)</u>	<u>(6,308,353)</u>
Cash and cash equivalents at beginning of year	6,660,325	12,968,678
Cash and cash equivalents at end of year	<u>3,745,945</u>	<u>6,660,325</u>

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 the United Kingdom. The Company is listed on the AIM Market of the London Stock Exchange.

The registered office is located at 82 St John Street, London, EC2M 4JN. The principal activities of the Company are that of investment holding, geological and chemical consulting. The principal activities of the subsidiaries are detailed in Note C7.

a) Statement of compliance

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

b) Changes in accounting policies

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

IFRS 1 (revised 2008)	First time adoption of IFRS
IFRS 1 (amended 2009)	Additional exemptions for first time adopters
IFRS 2 (amended 2009)	Group cash-settled share-based payment transactions
IFRS 3 (revised 2008)	Business combinations
IAS 27 (revised 2008)	Consolidated and separate financial statements
IAS 28 (revised 2008)	Investments in associates
IAS 31 (amended 2008)	Investment in joint ventures
IAS 39 (amended 2008)	Eligible hedged items
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from customers

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

IFRS 1 (amended 2010)	Additional exemptions for first time adopters
IAS 24 (revised 2009)	Related party disclosures

IAS 32 (amended 2009)	Classification of rights issues
IFRIC 14 (amended 2009)	Prepayment of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments
IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement

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

c) Presentation of financial statements

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in the exchange of the assets.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

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

d) Revenue recognition

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

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

(i) Sales of goods – specialty chemicals

The Group manufactures and sells a range of 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.

(ii) Sale of goods – natural gas

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

e) Research and development expenditures

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

- completion of the intangible asset is technically feasible so that 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 2010, all research and development expenditures were expensed as incurred

f) 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 April 2011, the Company raised an additional £2,840,000 million (before expenses) of equity funding 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. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements

g) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2010. 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

h) Business combinations

Business combinations are accounted for using the purchase method. The purchase 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 statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition.

i) Foreign currency

The Group and Company prepare their financial statements in Pounds Sterling

Transactions denominated in foreign currencies are 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 income statement 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 average rate for the period. 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 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.

j) Intangible assets

Deferred exploration and evaluation costs

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

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

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

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

Other identifiable intangible assets

Other identifiable intangible assets arose from the acquisition of H&S Chemical. 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 was then amortised across the useful life. The following useful lives are applied:

- WET® patent 15 years
- Customer relationships 10 years
- Other patents 8 years
- EPA registrations 2 years

Amortisation is written off to administration expenses.

Goodwill

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

k) 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 depreciable amount of each asset on a straight line basis over its expected useful life, as follows:

- Mobile Iodine Extraction Units and computer equipment 33.3% per annum
- Office, short-term drilling and construction equipment 20% per annum
- Furniture and fixtures 14.3% per annum
- Long-term drilling and construction equipment 14.3% per annum
- Leasehold improvements 6.7% per annum

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

l) Financial instruments

Financial liabilities

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

Financial assets

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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, 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 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 combination 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 interest 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 fair value of options and warrants issued by the Company
- "Foreign currency reserve" represents the differences arising from translation of foreign operations
- "Retained earnings" represents retained profits or accumulated losses as relevant

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

o) Inventories

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

p) Taxation

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

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

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

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 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 the income statement 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 date of transaction as measured by use of the Black Scholes model and assumptions as set out in Note 20. 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 the income statement in respect to share-based payments are credited to the share-based payment reserve.

s) Segment reporting

In identifying its operating segments, management generally follows the Group's service lines, which represent the main products provided by the Group and is based on the information presented to the chief operating decision maker. The activities of the Natural Gas segment include the exploration and production of natural gas and iodine. The activities of the Chemical segment include the manufacturing of specialty chemicals.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that

- expenses relating to share-based payments, and
- research costs relating to new business activities,

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2. Significant judgements and estimates

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

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

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

- b On initial recognition in a business combination, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates. Any measurement changes upon initial recognition would affect the measurement of goodwill. See note 10 for details of the significant estimates used in determining these values.
- c Management reviews the useful lives of depreciable and amortisable assets at each reporting date. At 31 December 2010 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 9 and 11. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

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

- a The identification of costs qualifying for capitalization as exploration and evaluation assets
- b Identifying the appropriate timing for the recognition of revenue

3. Segment reporting

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

	PLC £	Natural Gas £	Chemical £	Total £
Year ended 31 December 2009				
Revenue	-	6,402	3,375,593	3,381,995
Loss after tax	(1,890,585)	(2,221,275)	(65,827)	(4,177,687)
Year ended 31 December 2010				
Revenue	-	16,300	8,842,357	8,858,657
Loss after tax	(973,561)	(2,530,567)	175,974	(3,328,154)

	31 December 2010	31 December 2009
Total assets	£	£
lofina PLC	2,109,467	6,065,975
lofina Natural Gas, Inc	6,583,594	6,777,573
lofina Chemical, Inc	8,616,621	7,521,487
Total	17,309,682	20,365,035
 Total liabilities		
lofina PLC	81,083	70,007
lofina Natural Gas, Inc	328,582	732,661
lofina Chemical, Inc	1,378,402	1,302,559
Total	1,788,067	2,105,227
 Total capital expenditure		
lofina PLC	-	-
lofina Natural Gas, Inc	427,698	1,795,235
lofina Chemical, Inc	76,810	4,021,330
	504,508	5,816,565
 Total depreciation/amortisation		
lofina PLC	-	-
lofina Natural Gas, Inc	478,541	269,672
lofina Chemical, Inc	383,590	247,490
	862,131	517,162

- 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 and the manufacturing of specialty chemicals in 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

	31 December 2010 £	31 December 2009 £
Total revenue		
UK	-	-
USA	8,858,657	3,381,995
Total	<u>8,858,657</u>	<u>3,381,995</u>
Total assets		
UK	2,109,467	6,022,499
USA	15,200,215	14,342,536
Total	<u>17,309,682</u>	<u>20,365,035</u>
Capital expenditure		
UK	-	-
USA	504,508	5,816,565
Total	<u>504,508</u>	<u>5,816,565</u>
Total depreciation/amortisation		
UK	-	-
USA	862,131	517,162
Total	<u>862,131</u>	<u>517,162</u>

- c **Significant customers** - Iofina Natural Gas, Inc had one significant customer that accounted for 100% of sales Iofina Chemical had three significant customers, one represents 37% of sales, another 28% and the third accounts for 7% of total sales

4. Loss before taxation

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

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	44,000	45,000
Foreign exchange (gain)/loss	(2,193)	1,327,111
Depreciation expense	658,912	347,237
Amortisation expense	203,219	169,925
Share based payments	215,775	-
Operating lease expense	146,319	92,261

Cost of sales – analysis by nature

	Year ended 31 December 2010	Year ended 31 December 2009
	£	£
Raw materials	6,407,703	2,401,053
Freight	129,598	50,643
Sales commission	9,294	5,446
Labor and manufacturing overhead	1,007,137	356,842
Total	7,553,732	2,813,984

Administrative expenses – analysis by nature

	Year ended 31 December 2010	Year ended 31 December 2009
	£	£
Payroll and benefits	1,959,173	926,292
Rent	132,512	81,907
Professional services	1,001,190	1,203,697
Insurance	214,257	136,277
Office	58,950	81,848
Travel	146,752	163,220
Property expenditures	20,702	132,341
Other	4,609	130,890
Share based payments	215,775	-
Research and development	105,769	58,987
Depreciation	658,912	347,237
Amortisation	203,219	169,925
	4,721,820	3,432,621

5. Staff numbers and costs

The Group averaged 34 employees for 2010 (2009 41)

	Year ended 31 December 2010	Year ended 31 December 2009
	£	£
Aggregate remuneration comprised.		
Wages and salaries	2,586,505	1,250,405
Social security costs	215,175	68,388
Total staff costs	2,801,680	1,318,793

Of the total staff costs above, £333,568 (2009 £138,987) is included within cost of sales, £2,468,112 (2009 £1,179,806) is included within administrative expenses, £nil (2009 £nil) has been capitalised as additions to intangible assets

Of the total staff costs above, £525,948 (2009 £417,420) was paid to directors (considered to be key management personnel) for their services during the year

6. Finance income and expense

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Interest and investment income/tax refund	91,510	66,333
Foreign exchange gain/(loss)	2,193	(1,327,111)
Total	<u>93,703</u>	<u>(1,260,778)</u>

7. Taxation

Factors affecting the tax credit for the current year

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Tax expense comprises:		
Current year tax expense	-	-
Prior year tax expense	4,962	52,298
	<u>4,962</u>	<u>52,298</u>

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Tax reconciliation:		
Loss on ordinary activities before tax	(3,323,192)	(4,125,388)
Tax at 22% (2009 22%)	(731,102)	(907,585)
Effects (at 22%) of :		
Tax losses carried forward	731,102	907,585
Adjustment to previous year's tax expense	4,962	52,298
Total tax charge	<u>4,962</u>	<u>52,298</u>

The Group has accumulated tax losses of approximately £7,246,497 (31 December 2009 £3,969,779) carried forward which may be deductible from future taxable profits subject to agreement with the relevant tax authorities

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

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

8. Loss per share

The calculation of loss per ordinary share is based on a loss attributable to shareholders of £3,328,154 (2009 £4,177,686) and the weighted average number of ordinary shares outstanding of 105,193,726 (2009 102,201,148) The warrants and options are not dilutive and there is, therefore, no difference between the diluted loss per share and the basic loss per share

9. Intangible assets

	Deferred exploration costs	WET* patent	Customer relationships	Patent portfolio	EPA registrations	Total
	£	£	£	£	£	£
Cost						
At 31 December 2008	956,396	-	-	-	-	956,396
Additions	1,200,487	-	-	-	-	1,200,487
Exchange Differences	(41,701)					(41,701)
Additions from acquisition of H&S Chemical (restated)	-	1,639,475	395,720	113,846	164,985	2,314,026
At 31 December 2009 (restated)	2,115,182	1,639,475	395,720	113,846	164,985	4,429,208
Additions(disposals)	(6,243)	-	-	-	-	(6,243)
Exchange differences	57,435	97,740	34,698	6,769	9,810	206,452
At 31 December 2010	2,166,374	1,737,215	430,418	120,615	174,795	4,629,417
Accumulated Amortization						
At 31 December 2008	-	-	-	-	-	-
Charges for the year	-	73,262	26,456	9,514	60,693	169,925
At 31 December 2009	-	73,262	26,456	9,514	60,693	169,925
Charges for the year	-	90,679	38,249	11,776	62,515	203,219
Exchange differences	-	2,703	976	351	2,238	6,268
At 31 December 2010	-	166,644	65,681	21,641	125,446	379,412
Carrying amounts						
At 31 December 2008	956,396	-	-	-	-	956,396
At 31 December 2009	2,115,182	1,566,213	369,264	104,332	104,292	4,259,283
At 31 December 2010	2,166,374	1,570,571	364,737	98,974	49,349	4,250,005

Deferred exploration costs primarily relate to the costs of acquiring leases to explore, drill and produce oil and gas in certain areas of Montana. Other intangible assets relate to the recognition of identifiable intangible assets in relation to the purchase of H&S.

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.

WET® Patent

The WET® Patent technology employs two different iodine extraction methods depending on brine chemistry for optimal efficiency. We utilized a with and without analysis, a variation of the discounted cash-flow method, to estimate the Fair Value of a WET® Patent. The methodology compares the cash flow generating capacity of H&S assuming it was operating without the benefit of the WET® Patent to the projected cash flow of the Company with the benefit of the patent. Useful life of the patent was 15 years according to the following:

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

Customer Relationships

The customer base held by the Company, acquired by Iofina, is concentrated with the top ten customers representing 74 percent of total sales in 2008. We utilized the discounted cash flow methodology to separately value customer relationships according to projected future earnings and cash flow and discount rate of 18.1 per cent. Useful life was 10 years according to the following:

- Historically low customer attrition rates
 - Management's expectation for continued high customer retention rates going forward
 - The lack of substitutes in the market for the products and services offered by H&S
- Significant customer concentration

Patent Portfolio

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

EPA Registrations

H&S held multiple EPA registrations as of the Valuation Date for IPBS, Methyl Iodide and Lampricide. We utilized the discounted cash flow method to estimate the present value of lost profits assuming that H&S did not have the registrations and had to enter the application process. Useful life is 2 years based on estimated time necessary to complete a successful application.

Restatement of fair values on 2009 business combination – Purchase of H&S Chemical Inc.

Iofina PLC purchased H&S Chemical in 2009. In the year of the purchase, provisional valuations were used for the fair values to be assigned to the identifiable intangible assets. Below is a restatement of these valuations:

Assets	Book Value	Provisional Fair Value Adjustments	Final Fair Value Adjustments	Fair Value on Acquisition
Current assets				
Total accounts receivable	1,322,294	-	-	1,322,294
Seller funded letters of credit	266,533	-	-	266,533
Total inventory	831,708	-	-	831,708
Total current assets	2,420,535	-	-	2,420,535
Other assets				
Intangible assets	-	2,827,853	(513,827)	2,314,026
Fixed assets	246,929	-	-	246,929
CIP	73,240	-	(19,385)	53,855
Lease deposit	7,610	-	-	7,610
Prepaid expenses	23,866	-	-	23,866
Total other assets	351,645	2,827,853	(533,212)	2,646,286
Total assets	2,772,180	2,827,853	(533,212)	5,066,821
Liabilities				
Current liabilities				
Accounts payable	383,780	-	-	383,780
Accrued expenses	103,742	-	-	103,742
Customer deposit	334,234	-	-	334,234
Total current liabilities	821,756	-	-	821,756
Deferred tax liability	-	791,799	(149,299)	642,500
Total long term liabilities	-	791,799	(149,299)	642,500
Total liabilities	821,756	791,799	(149,299)	1,464,256
Net assets acquired	1,950,424			3,602,565
Acquired goodwill				2,065,740
Consideration				<u>5,668,305</u>

The 2009 intangible assets valuation has been restated in 2010 to reflect the final values. The net result of these adjustments was to decrease the cost of separately identifiable intangible assets and increase goodwill recognised on acquisition. The 2010 amortisation expense has been adjusted to reflect a reduction in the 2009 amortisation expense.

10. Goodwill

	Goodwill
	£
Cost	
At 31 December 2008	-
Additions (restated)	2,065,740
At 31 December 2009 (restated)	<u>2,065,740</u>
Additions	-
Exchange differences	64,090
At 31 December 2010	<u>2,129,830</u>
Impairment	
At 31 December 2008	-
Charges for the year	-
At 31 December 2009	<u>-</u>
Charges for the year	-
At 31 December 2010	<u>-</u>
Carrying amounts	
At 31 December 2008	-
At 31 December 2009	2,065,740
At 31 December 2010	<u>2,129,830</u>

The valuation of the intangible assets acquired as part of the acquisition was provisional at the time of preparing the 2009 financial statements. Goodwill at 31 December 2009 was previously stated at £1,681,827 based on provisional fair values. The 2009 balance has been restated to £2,065,740 to reflect the final fair values attributable to intangible assets acquired.

Iofina Chemical is the cash generating unit of the Group, and all Goodwill resides with the Chemical company. Goodwill impairment testing is conducted annually, based on projected cash flow to be generated.

The Chemical business has been in operation for 28 years. On average, sales have grown \$500,000 per annum. Management believes that 25 years of cash flow generation should be used in the impairment review. For impairment testing, a conservative growth rate of 2.25 percent was used, with a discounted cash flow rate of 10 percent. The results of this testing show that the goodwill valuation can be supported by this projected cash flow.

11. Property, plant and equipment

	Mobile Iodine Extraction Units & Computer Equipment	Office & Construction Equipment	Furniture & Fixtures	Drilling Equipment & Pipeline	Leasehold Improvements	Total
Cost						
At 31 December 2008	-	929,139	-	1,988,422	-	2,917,561
Disposals	-	(84,844)	-	-	-	(84,844)
Additions	99,432	-	-	2,035,839	9,214	2,144,485
Exchange differences	-	(84,846)	-	(181,577)	-	(266,423)
Additions from acquisition of H&S Chemical	13,920	185,706	8,141	1,686	37,476	246,929
At 31 December 2009	113,352	945,155	8,141	3,844,370	46,690	4,957,708
Dispositions	-	-	-	-	-	-
Additions	-	65,564	2,387	427,698	8,859	504,508
Exchange differences	3,087	25,740	222	104,697	1,272	135,018
At 31 December 2010	116,439	1,036,459	10,750	4,376,765	56,820	5,597,234
Accumulated Depreciation						
At 31 December 2008	-	-	-	19,887	-	19,887
Charges for the year	14,420	146,385	2,027	182,110	2,295	347,237
Exchange differences	(1,429)	(14,506)	(201)	(18,047)	(227)	(34,410)
At 31 December 2009	12,991	131,879	1,826	183,950	2,068	332,714
Charges for the year	15,273	411,952	4,651	220,938	6,097	658,912
Exchange differences	404	10,629	120	5,701	157	17,012
At 31 December 2010	28,668	554,460	6,597	410,590	8,322	1,008,638
Carrying amounts						
At 31 December 2008	-	929,139	-	1,968,535	-	2,897,674
At 31 December 2009	100,361	813,276	6,315	3,660,420	44,622	4,624,994
At 31 December 2010	87,771	481,999	4,153	3,966,175	48,498	4,588,596

12. Other non-current assets

Other non-current assets include £52,600 (2009 £65,754) deposits for real estate leases and cash deposits pledged with government agencies to allow for drilling activity

13. Trade and other receivables

	31 December 2010	31 December 2009
	£	£
Trade receivables	974,725	946,742
Other receivables and prepayments	226,535	237,599
	<u>1,201,260</u>	<u>1,184,341</u>

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 is no debt provision, and therefore no movement on the bad debt provision for the year. There are no receivables that are past due.

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

14. Inventories

	31 December 2010	31 December 2009
	£	£
Inventories	<u>1,341,446</u>	<u>1,452,162</u>
	<u>1,341,446</u>	<u>1,452,162</u>

At year end, there were no provisions against the carrying value of inventories. During the year, the cost of inventories recognised as expense and included in 'cost of sales' amounted to £6,407,703 (2009 £2,391,845).

15. Cash and cash equivalents

	31 December 2010	31 December 2009
	£	£
Cash in US Dollar accounts	1,742,537	638,730
Cash in GB Pound accounts	<u>2,003,408</u>	<u>6,021,595</u>
Cash at bank	<u>3,745,945</u>	<u>6,660,325</u>

16. Trade and other payables

	31 December 2010	31 December 2009
	£	£
Trade payables	601,669	1,061,266
Accrued expenses and deferred income	543,898	401,461
Total trade and other payables	<u>1,145,567</u>	<u>1,462,727</u>

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.

17. Deferred tax liability

	31 December 2010 £	31 December 2009 restated £
Deferred tax liability arising on fair value adjustment on acquired intangible assets	642,500	642,500

18. Financial instruments

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

Financial assets and liabilities

	Book value	Loan and receivables	Financial liabilities carried at amortised cost	Total
2010				
Cash and cash equivalents	3,745,945	3,745,945	-	3,745,945
Receivables	1,080,784	1,080,784	-	1,080,784
				<u>4,826,729</u>
Accounts payable	(601,669)	-	(601,669)	(601,669)
Accruals	(543,898)	-	(543,898)	(543,898)
				<u>(1,145,567)</u>
2009				
Cash and cash equivalents	6,660,325	6,660,325	-	6,660,325
Receivables	1,184,341	1,184,341	-	1,184,341
				<u>7,844,666</u>
Accounts payable	(1,061,266)	-	(1,061,266)	(1,061,266)
Accruals	(401,461)	-	(401,461)	(401,461)
				<u>(1,462,727)</u>

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 that combine a money market deposit with a currency option, as a hedge against foreign currency risk.

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

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

	2010		2009	
	USD	Sterling	USD	Sterling
Financial Assets	3,942,524	2,068,961	13,802,425	6,022,499
Financial Liabilities	1,159,882	65,560	1,392,721	70,007

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 and the current net asset position, liquidity risk is considered minimal at the current time.

Commodity risk

The Group is exposed to movements in the price of natural gas and its by-products, which may affect the viability of a project. Given that there were minimal sales of commodities during 2010, the Group was exposed to a nominal commodity risk.

19. Share capital

		31 December 2010	31 December 2009
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	105,193,726	105,193,726
	- nominal value	£1,051,938	£1,051,938

The authorised share capital at 1 January 2009 was £30,000,000 (comprising 3,000,000,000 shares at £0 01)

During the year ended 31 December 2009, the Company raised £5 million (before expenses) through a placing of 9,090,000 new ordinary shares of 1p each (the "Placing Shares"), at a price of 55p per share (the "Placing"). Also, in conjunction with the purchase of H&S Chemical, the Company issued an additional 736,314 new ordinary shares. In addition, the Company's broker exercised warrants of 1,551,298 ordinary shares of 1p each in the Company ("Ordinary Shares").

The total number of voting rights in the Company's Ordinary Shares at 31 December 2010 was 105,193,726

	Number of ordinary shares
Balance at 31 December 2008	93,816,114
Additions from February 2009 Placing	9,090,000
Additions from H&S Acquisition	736,314
Additions from Warrant Exercise	1,551,298
Balance at 31 December 2009 and 31 December 2010	105,193,726

20. Share-based payments

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

The Group expensed to the income statement a total of £215,775 (2009 £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 30
Weighted average exercise price	£0 30

Weighted average expected volatility	66.6%
Weighted average expected life	3 years
Risk free rate	1.20%
Fair value per option	13 pence

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

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

	2010	
	Number of warrants/options	WAEP £
Outstanding at the beginning of the year	527,273	0.54
Granted during the year	1,625,000	0.30
Outstanding at the end of the year	2,152,273	0.36
Exercisable at the end of the year	2,152,273	0.36
	2009	
	Number of warrants/options	WAEP £
Outstanding at the beginning of the year	2,078,571	0.54
Exercised during the year	(1,551,298)	(0.54)
Outstanding at the end of the year	527,273	0.54
Exercisable at the end of the year	527,273	0.54

21. Related party transactions

The Group obtained consulting invoices from Water Analysis Technology (WAT, Inc) a corporation owned by the father of David Schneider, the former Group CEO, who resigned in March of 2010. The total paid to WAT, Inc in 2010 prior to the CEO's resignation was £23,792 (2009 £102,889). The Group also purchased equipment from Taiji USA, Inc, a company that the former CEO of the Group has ownership interest in. The equipment purchased prior to resignation cost £69,563 (2009 77,045).

In addition, Iofina Chemical leased office space in Kentucky from Schneider Family Real Estate, LLC (SFRE, LLC), a company owned by the family of the former CEO of Iofina PLC. Payments made to SFRE, LLC, in 2010 prior to the CEO's resignation total £33,310 (2009 £41,273).

Michael Schneider, the brother of the former CEO of Iofina PLC, was employed by the Group to perform environmental and management services. His compensation in 2010 prior to CEO's resignation was £7,190 (2009 £16,320)

The key management personnel of the Group are its Directors. Remuneration provided to each Director was as follows

	31 December 2010 £	31 December 2009 £
Dr Chris E Fay	67,308	56,090
Jeffrey P Ploen	28,045	28,045
Paul S Chase-Gardener	33,654	28,045
Forest D Dorn	111,511	-
Lance J Baller	144,886	152,620
David Schneider	131,596	152,620

22. Leases

The Group leases space for administrative and manufacturing purposes under two agreements. The remaining lives of the leases are 36 months and 20 months. At the balance sheet date the minimum payments are £151,942 (2009 £149,156) for the next 12 months and £310,728 (2009 £328,233) for the remaining life of the lease. The leases are strictly for the use of improved realty on a stated payment basis and contain no contingent, purchase or renewal clauses.

23. Capital management

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

24. Post balance sheet events

In April 2011, the Company raised an additional £2,840,000 (before expenses) of equity funding to pursue opportunities in the mid-stream third party brine operations market.

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

Independent auditor's report to the members of Iofina Plc

We have audited the parent company financial statements of Iofina Plc for the year ended 31 December 2010 which comprise the company balance sheet, the company statement of changes in equity, the company statement of cash flows and the related notes. 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.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

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

Baker Tilly UK Audit LLP

Paul Watts (Senior Statutory Auditor)

For and on behalf of Baker Tilly UK Audit LLP (Statutory Auditor)

Chartered Accountants

25 Farringdon Street

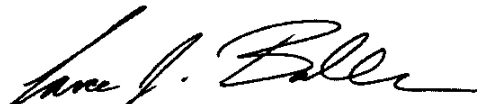
London EC4A 4AB

6 June 2011

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2010

		31 December 2010 £	31 December 2009 £
Assets			
Investment in subsidiary undertakings	C2	10,651,165	10,651,165
Loan to subsidiaries	C3	6,613,513	3,403,417
Total non-current assets		<u>17,264,678</u>	<u>14,054,582</u>
Prepayments and other receivables	C4	106,059	905
Cash and cash equivalents	C5	2,003,408	6,065,071
Total current assets		<u>2,109,467</u>	<u>6,065,976</u>
Total assets		<u>19,374,145</u>	<u>20,120,558</u>
Current liabilities			
Trade and other payables	C6	81,083	70,007
Total current liabilities		<u>81,083</u>	<u>70,007</u>
Equity attributable to the owners of the parent			
Issued share capital		1,051,938	1,051,938
Share premium		20,584,760	20,584,760
Share-based payment reserve		732,659	516,884
Retained earnings		(3,076,295)	(2,103,031)
Total equity		<u>19,293,062</u>	<u>20,050,551</u>
Total equity and liabilities		<u>19,374,145</u>	<u>20,120,558</u>

The financial statements were approved and authorized for issue by the Board and were signed on its behalf on 6 June 2011.



L J Baller

Chief Executive Office and President
Company number: 05393357

IOFINA PLC

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Share based payment reserve	Retained loss	Total equity
	£	£	£	£	£
Balance at 1 January 2009	938,161	14,537,403	516,884	(212,446)	15,780,002
Transactions with owners					
New share capital subscribed	113,777	6,325,023	-	-	6,438,800
Share issue costs	-	(277,666)	-	-	(277,666)
Total transactions with owners	113,777	6,047,357	-	-	6,161,134
Loss attributable to owners of the parent and total comprehensive income for the year	-	-	-	(1,890,585)	(1,890,585)
Balance at 31 December 2009	1,051,938	20,584,760	516,884	(2,103,031)	20,050,551
Transactions with owners					
Share-based payment	-	-	215,775	-	215,775
Total transactions with owners	-	-	215,775	-	215,775
Loss attributable to owners of the parent and total comprehensive income for the year	-	-	-	(973,264)	(973,264)
Balance at 31 December 2010	1,051,938	20,584,760	732,659	(3,076,295)	19,293,062

IOFINA PLC
COMPANY CASH FLOW STATEMENT

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Cash flows from operating activities		
Loss after taxation	(973,264)	(1,890,585)
Adjustments for		
Investment income	(2,195)	(54,599)
Share - based payment	215,775	-
	<u>(759,684)</u>	<u>(1,945,184)</u>
(Increase)/Decrease in other receivables and prepayments	(105,154)	19,823
Increase/(Decrease) in trade and other payables	11,076	(63,652)
Cash generated from operations	<u>(853,762)</u>	<u>(1,989,013)</u>
Net cash outflow from operating activities	<u>(853,762)</u>	<u>(1,989,013)</u>
Cash flows from investing activities		
Interest received	2,195	54,599
Acquisition of subsidiary undertakings	-	(5,059,505)
Loan to subsidiaries	(3,210,096)	(4,881,082)
Net cash outflow from investing activities	<u>(3,207,901)</u>	<u>(9,885,988)</u>
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	-	5,830,000
Cost of issue of ordinary share capital paid	-	(277,666)
Net cash inflow from financing activities	<u>-</u>	<u>5,552,334</u>
Net increase in cash and cash equivalents	(4,061,663)	(6,322,667)
Cash and cash equivalents at beginning of year	<u>6,065,071</u>	<u>12,387,738</u>
Cash and cash equivalents at end of year	<u>2,003,408</u>	<u>6,065,071</u>

NOTES TO THE COMPANY FINANCIAL STATEMENTS

The accounting policies and relevant notes in the Group financial statements also form part of the Company financial statements

C1. Accounting policies for the Company

The Company financial statements have been prepared under IFRS

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 the Companies Act 2006, 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 £
Cost	
Balance at 31 December 2008	430,328
Additions	374,217
Addition from acquisition	5,668,305
Capitalisation of loans to subsidiary	4,178,315
Balance at 31 December 2009 and 31 December 2010	<u><u>10,651,165</u></u>

C3. Loan to subsidiaries

	Loans to subsidiaries £
Cost	
Balance at 31 December 2009	3,403,417
Additions	3,210,096
Balance at 31 December 2010	<u><u>6,613,513</u></u>

C4. Prepayments and other receivables

	31 December 2010	31 December 2009
	£	£
Prepayments and other receivables	106,059	905
	<u>106,059</u>	<u>905</u>

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

C5 Cash and cash equivalents

	31 December 2010	31 December 2009
	£	£
Cash at bank	2,003,408	6,065,071
	<u>2,003,408</u>	<u>6,065,071</u>

C6 Trade and other payables

	31 December 2010	31 December 2009
	£	£
Trade payables	25,269	28,693
Accrued expenses and deferred income	55,814	41,314
	<u>81,083</u>	<u>70,007</u>

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

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

C7. Subsidiary undertakings

	Country of incorporation and operation	Principal activity	Iofina plc interest in ordinary shares and voting rights 2010
Iofina, Inc	United States	Holding company	100%
Iofina Natural Gas, Inc	United States	Exploration Specialty	100%
Iofina Chemical, Inc	United States	chemical	100%

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

C8. 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 as set out in note 18 to the Group financial statements. The Company has no borrowings. The Company's principal financial instrument is cash, which is invested with major banks.

Financial assets and liabilities

	Book value	Loan and receivables	Amortised cost	Total
2010				
Cash and cash equivalents	2,003,408	2,003,408	-	2,003,408
Receivables	106,059	106,059	-	106,059
Loan to subsidiaries	6,613,513	-	6,613,513	6,613,513
				<u>8,722,980</u>
Trade payables	25,269	-	25,269	25,269
Accruals	55,814	-	55,814	55,814
				<u>81,083</u>
2009				
Cash and cash equivalents	6,065,071	6,065,071	-	6,065,071
Receivables	905	905	-	905
Loan to subsidiaries	3,403,417	-	3,403,417	3,403,417
				<u>9,469,393</u>
Accounts payable	28,693	-	28,693	28,693
Accruals	41,314	-	41,314	41,314
				<u>70,007</u>

Financial assets and liabilities

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.

Foreign currency risk

The Company has potential transactional currency exposure in respect of items denominated in foreign currencies. The Company occasionally makes use of dual currency deposits, derivative instruments which combine a money market deposit with a currency option, as a hedge against foreign currency risk.

The Company 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

	2010		2009	
	USD	Sterling	USD	Sterling
Financial assets	-	2,068,961	43,476	9,425,916
Financial liabilities	-	65,560	-	70,007

C9. Related parties

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. Amounts owed from these entities are detailed in note C3.

In addition, Iofina Natural Gas provided the Company with management, financial and administrative services. In the year ended 2010, the Company paid £535,000 (2009 £706,000) for these services.